

Annual report 2015



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The year in brief

- > Sales totaled SEK 6,635 M (5,450), corresponding to growth of 22 percent
- > Operating profit amounted to SEK 881 M (715)
- > Profit after tax totaled SEK 652 M (539)

Q1

- > Sales amounted to SEK 1,354 M, corresponding to growth of 20 percent
- > Operating profit totaled SEK 145 M, corresponding to an operating margin of 10.7 percent
- > Profit after tax amounted to SEK 104 M
- > Canon made a public offer to Axis' shareholders of SEK 340 per share
- > Axis' Zipstream technology was released, which lowers bandwidth and storage requirements by an average of 50 percent
- > Axis broadened its offer with a network loudspeaker, which can be easily integrated into a surveillance system

Q2

- > Sales amounted to SEK 1,616 M, corresponding to growth of 19 percent
- > Operating profit totaled SEK 117 M, corresponding to an operating margin of 7.2 percent
- > Profit after tax amounted to SEK 83 M
- > Axis was ranked global market leader in the Americas and EMEA regions in the yearly report of the research & analysis company IHS
- > Axis released an IP door station with integrated HD video
- > The AXIS P14 Series was expanded by seven new cameras to meet various end customer needs

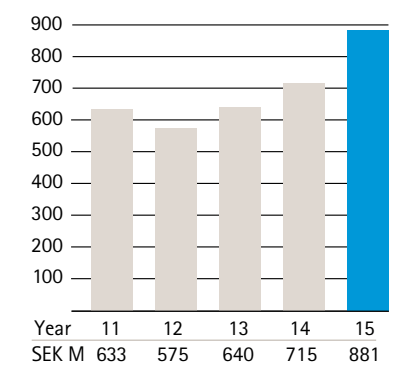
Q3

- > Sales amounted to SEK 1,906 M, corresponding to growth of 30 percent
- > Operating profit totaled SEK 389 M, corresponding to an operating margin of 20.4 percent
- > Profit after tax amounted to SEK 289 M
- > Axis strengthened the successful AXIS P55 Series with 4 new PTZ cameras that support smart applications
- > Release of the AXIS F34, a complete and cost-efficient surveillance system for smaller installations
- > Axis received the "Good Design Award 2015" from the Japanese Institute of Design Promotion for the AXIS Q61 Series.

Q4

- > Sales amounted to SEK 1,758 M, corresponding to growth of 17 percent
- > Operating profit totaled SEK 231 M, corresponding to an operating margin of 13.1 percent
- > Profit after tax amounted to SEK 176 M
- > Release of Axis' first thermal camera that supports both Electronic Image Stabilization and Axis' Zipstream technology
- > Axis expanded its popular AXIS M30 Series with a vandal-resistant mini dome camera featuring a built-in microphone and speaker
- > For the second consecutive year, Axis was ranked one of the 50 best workplaces in Great Place to Work's annual ranking of US workplaces

Operating profit/EBIT



Key ratios

Group, SEK M (unless otherwise stated)	2015	2014
Net sales	6,635	5,450
Operating profit	881	715
Profit before tax	881	714
Profit after tax	652	539
Earnings per share, SEK	9.39	7.76
Cash and cash equivalents at the end of the period	1,016	415
Dividend paid, SEK	0.31	5.50

Sales per region, SEK M

Region	2015	2014
Americas	3,490	2,743
EMEA	2,366	1,999
Asia	779	708

198

new employees

2,139

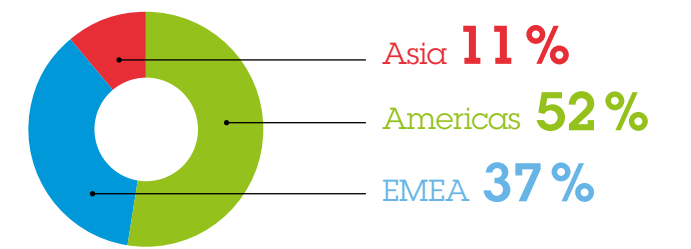
employees in total

Axis in 1 minute.

Axis offers intelligent security solutions that enable a smarter and safer world. As the global market leader in network video, Axis is driving the trend in the industry by continually introducing innovative network products based on open platforms, which deliver increased value to customers and are distributed through a global partner network.

#1 **Market leader**
in network video and video encoders in Americas and EMEA

Invoiced sales per region 2015

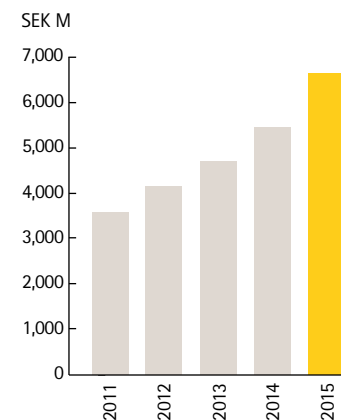


51 **countries**
with Axis employees



2,139 **employees**
in the Axis group

Sales 2015



6,635
SEK million

179 **countries**
with partners



+22%
Sales growth 2015



More than
80,000
partners

Follow Axis on:
www.axis.com



An eventful year

In many ways 2015 was an eventful year for Axis. The trend of customized security and video solutions targeted towards various market segments is becoming increasingly clear and we have taken several important strategic initiatives to participate in and drive this development. During the year, Canon acquired about 85 percent of the shares in Axis – a strong and long-term principal owner that gives us the potential to further strengthen Axis' competitiveness through improved access to leading knowledge and technology.

Axis' work is guided by consistent and well-tried strategies, which focus on global leadership, smart, innovative products and strong partner networks across the entire value chain. Axis has a solid foundation with the market's largest base of system integrators and installation engineers, providing a substantial and growing market to operate in. Meanwhile, security installations are increasingly becoming an overall concept where technological developments are driving new smart and efficient solutions in the entire system. The consistent investments in innovation and product development have meant that the proportion of new products – less than one year old – lies at a stable level of around 30 percent of sales, delivering greater customer value and maintained margins. Against this backdrop, I am convinced that Axis has great potential to continue its strong and profitable growth and successfully meet the challenges posed by globalization and rapid technological development.

Large differences between regions

During the year, we have seen large differences between the various geographical markets. In the Americas region, the trend was stable in the mature markets of North America, where Axis still has a very strong position. Work is ongoing in the US to boost the local presence through new offices with resources for training, support and sales. The California office was opened during the fall and in 2016 we will continue to strengthen proximity to end customers through the expansion plan that commenced in late 2014. South America faced a challenging year due to political and financial turbulence, particularly in Brazil. In the EMEA region, the Middle Eastern markets continue to show strong demand. New construction, infrastructural investments and IT expansion are driving the need for network video and the region's share of total sales is growing. After a number of years of weaker growth, we saw a positive development in Southern Europe, driven to some extent by a general recovery as well as increased investments in small installations. Axis' operations in Eastern Europe continued to be very adversely affected by regional turbulence and currency fluctuations, especially in Russia. In Asia, several coun-

tries recovered in Southeast Asia during 2015. The growing Indian market showed strong growth and there was a strong performance in Australia and Singapore. The large Chinese market is very competitive and is characterized by strong price pressure from local manufacturers.

Important strategic initiatives

Axis has a goal to grow by 20 percent annually. This means that we cannot just meet change – we must drive it. As part of the market matures, we are continually seeking new growth regions. Investments concentrated towards the fast-growing market segment for small installations accelerated during the year. With new innovative solutions and dedicated internal resources in research and development, sales, marketing and business development, we have increased the tempo in driving the technology shift in that part of the market that is still dominated by analog video. This segment is expected to grow faster than the market as a whole and we have a clear goal to increase sales to installations with 1–10 cameras. At the same time, the rapid technological development is imposing increasingly strict demands on the cameras' capacity to handle large and detailed video streams. Axis is driving this trend and in May the company launched Zipstream, a technology that lowers storage and bandwidth requirements by an average of 50 percent. We are also continuing to broaden the portfolio with complementary products and solutions as part of our ambition to take greater responsibility for the overall security system. With the release of AXIS Video Door Station, an IP-based door station featuring integrated HD video, and AXIS Network Horn Speaker, we are continuing to develop relevant products in order to offer complete systems, creating new possibilities for both partners and end users. To retain our leading position in network video, we must continue to invest in our core business, but also dare to invest in new innovations. Taken together, the high pace of innovation demonstrates the strength of our ambition to be a leading provider of network video surveillance solutions. The desire is greater than ever to create new conditions in the market and strive for a smarter and safer world.

Strengthened global organization

We are continuing to invest in order to strengthen our local presence with our own personnel and by developing the partner network. We now have presence in 51 countries worldwide and during the year we expanded to Kenya and new local offices were opened in Macau, Wellington and Budapest. Meanwhile, the number of employees increased by 198 people, to 2,139 employees in total. The high recruitment rate imposes great de-

mands on the organization to ensure that competencies are safeguarded and that the strong corporate culture is maintained. More introductory and leadership programs are offered than ever before and we are continuing our ongoing work on activities that promote our culture and evaluating Axis as a workplace in order to attract and retain the best employees in the industry.

Canon new principal owner

In February, Canon made a public offer to Axis' shareholders of SEK 340 per share. In total, just over 85 percent of shareholders accepted this offer and today Axis has a new, strong and long-term owner. During the year, the process developed in the way we communicated initially. Axis is continuing to operate as an independent company with a retained focus on strengthening its own operations and working towards clearly-defined targets. Access to Canon's world-leading technology further increases the potential to strengthen Axis' competitiveness. As an important part of our ambition to operate as an independent company with firmly established local roots, in 2016, we will start the construction of a new headquarters in Lund. Since the beginning, we have been a company with our heart in Lund and this investment means that we will strengthen our long-term establishment in this dynamic growth region close to universities and colleges, which will allow us to continue conducting leading research and development. With a new strong principal owner that shares Axis' view on long-term commitment, innovation and global leadership, I am convinced that we will improve our competitiveness and drive developments at an even faster pace.

Well-prepared for tomorrow's opportunities

Many strategic investments and releases took place in 2015 aimed at driving the technology shift in those remaining parts of the market with great potential. We also continued to maintain a high release rate of new innovative network cameras featuring exceptional cutting-edge technology. We have a clear ambition to continue generating profitable growth and to be a company which is based on a willingness to continually advance our offers and seek new business opportunities. To succeed in this, we will continue to invest in innovation and dedicated employees, boost our presence in emerging markets and improve organizational efficiency in line with our expansion. Axis' employees still have the ability to identify and interpret trends, technological developments and meet the increasing demands for more durable solutions. I would like to take this opportunity to thank Axis' customers, employees and shareholders for the past year and I am very confident about Axis' future.

Axis has a goal to grow by 20 percent annually.

This means that we cannot just meet change – we must drive it

Roy Mouritsson
President & CEO

Axis' operations and financial goals

Vision

Innovating for a smarter, safer world.

Mission

Together, we pioneer intelligent network technology creating unique possibilities for partners, end users and employees.

Business mission

Axis makes it possible for people to create a safer and more secure world for citizens, employees and customers. Axis' business mission is to drive the shift from analog to digital video surveillance and offer customers all the benefits of comprehensive intelligent network video solutions.



Financial goals

Axis' financial goals aim to create a good basis for safeguarding shareholders' interests for a long-term increase in value. The financial goals for growth and profitability enable continual investments in line with the company's strategies. Axis' market-leading position creates a good basis for achieving growth, profitability and financial stability.



Total average annual growth of at least

20%

Comment:

Axis operates in a strongly expanding market and the goal is to grow faster, or in line with the market in the long term. Growth is generated by underlying demand for network-based security solutions and Axis is driving the shift from analog to digital video surveillance. Growth was 22 percent in 2015.

Profit margin of at least

10%

Comment:

Over a business cycle, Axis shall display a profit margin of at least 10 percent. The goal is formulated on the basis of the market trend in the longer term. The profit margin was 13,3 percent in 2015.

Strategy

for growth and expansion

Axis drives the development of network security solutions. Axis' offering is based on a global reach, long-term collaboration as well as innovative products and solutions. Together with a broad network of partners, leading products are combined with in-depth market knowledge. This makes it possible for the end user to take more well-informed decisions and create the most effective solution.

► Global market leadership



► Strong partner network



► Smart, innovative products and solutions



Axis has presence in 51 countries and is continuing to expand on both a global and local level. The objective is to be the global market leader and have a strong position in all markets where the company operates. Meanwhile, there is a strong focus on strengthening the company's presence in emerging markets and continued investments are made in order to get closer to the end customer and to introduce new product concepts in more mature markets.

Long-term and loyal partnerships enable mutual exchange of competencies, a strong market presence and common development of the market. As Axis' offering improves, collaboration is strengthened with existing players while new strategic partners are added. Through close dialogue, new customer segments are identified rapidly as well as new trends and business opportunities.

Axis' ambition is to drive the rapid development of network security solutions. The offering is continually broadened with new products and accessories. As the market grows and matures, investments continue to be made in order to strengthen the overall offering and increase responsibility in installations.

▲ Achieved in 2015:

- > 6 new offices
- > The sales force increased by 40 people
- > Continued leading position in network video

▲ Achieved in 2015:

- > More than 7,000 new partners
- > 10,000 partners in training programs
- > Improved overall offering

▲ Achieved in 2015:

- > More than 30 new products
- > Expanded total solutions offering
- > Continued investments in small and medium-sized installations

More than

7,000

new partners all over the world

More than

30

new products were released in the market

1,859

new Axis Certified Professionals

A growing market

The global market for network surveillance systems has good growth potential in the coming years. With a local presence in 51 countries and sales throughout the world, Axis is one of the market's most global players with a strong geographical spread. Mature markets in North America and Europe still account for a large proportion of sales, but Axis is continuing to strengthen the organization in emerging markets and regions where business opportunities are estimated to be particularly good.

The network video market is continuing to grow and develop. Demand is driven by an increased need for security and also by rapid technological advancements, which are enabling smarter and more efficient surveillance. Axis is taking advantage of these opportunities by continuing its global expansion with new local establishments, strengthened partner networks and focused research and development efforts. Through a higher technological level and value-adding services, the benefits are increasing for partners and end users. By focusing on development of new security solutions for all market segments, Axis is well-positioned to take advantage of the opportunities and meet market needs.

A growing market

In the next five years, the video surveillance market is expected to display an annual growth rate of 10 percent. In 2014, the video surveillance market was worth USD 14.3 billion and in 2019, this market is expected to be worth USD 23 billion. During the same period, network video demand is forecast to grow by about 16 percent annually. In 2014, the network video market was worth USD 9 billion and in 2019, the value is expected to have increased to USD 19 billion. The strong growth rate for network video is primarily driven by increased demand in major growth regions, greater penetration in small installations and rapid technological advancements, which are creating new business opportunities.

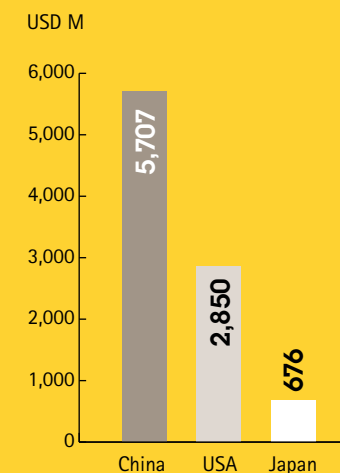
The regional markets differ in terms of degree of maturity and growth rate. The strong local presence in all major markets gives Axis competitive advantages through increased knowledge about customers as well as trends. Meanwhile, a continuing globalization trend is leading to more uniform security thinking, particularly in global companies with installations in many countries that are demanding smart, company-wide and cost effective solutions on a large scale. Mature markets in

North America, Europe and Southeast Asia account for about 70 percent of Axis' sales. With a well-developed network of distributors, system integrators and installation engineers, a substantial share of sales are made directly via partners without Axis' actively participating in the sales process. With a high penetration rate, particularly in large installations, increased demand in small and medium-sized surveillance systems is expected to be an important growth factor. While interest for digital security systems is strong in emerging markets in Latin America, Africa, the Middle East and Asia, political and economic uncertainty has reduced the growth rate in these markets over the past two years. Demand in China is continuing to grow and the country is now the largest market for network video.

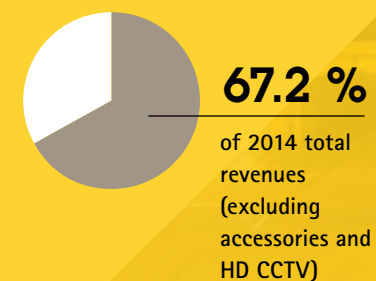
Competitors

The global market for network video is still fragmented with around 400 competing companies and a large variation in terms of size and offers. Larger competitors include global groups such as Bosch, Sony, Panasonic, Samsung and Hikvision. The competitive situation is particularly intensive in several Asian markets, which are characterized by a large number of local players and price pressure. As the market matures, larger players' market share is expected to increase at the expense of local and niche competitors.

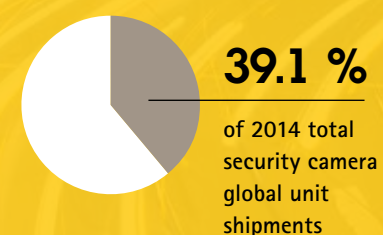
Largest geographic markets in 2014*



Network technology*



Network cameras*



* IHS: The World Market for CCTV and Video Surveillance Equipment – 2015 Edition.

Axis' market segments

Large installations

This is Axis' largest market segment and the first part of the market to drive the technology shift from analog to network security solutions. This includes universities, hospitals, airports and public environments. This segment is characterized by complex solutions in order to create scalable surveillance systems that guarantee reliable installations and smooth integration with other security systems.

In recent years, Axis has made a global and strategic investment in building a more market-oriented organization in close co-operation with system integrators, distributors, architects, security consultants and end customers. The main growth potential lies in the firmly-established market channels through a local presence, exchange of knowledge and loyalty.

When the City of Brno in the Czech Republic planned to replace its existing surveillance solution, the city quickly saw the scale benefits of changing to a network system. Efforts focused on finding an efficient security system that could offer a safe public environment while handling complex traffic situations. Brno developed an integrated traffic and security center and replaced all the cameras in the city center with advanced IP cameras from Axis. Shortly, there are also plans to integrate security systems from the Czech police, Brno's Road Administration and other public authorities on a shared digital platform based on the surveillance system which has now been developed in the city. Thanks to an innovative and robust security solution, Brno has gained better information about the traffic situation and a reduced incidence of petty crime in the city center.



Organization:
Brněnské komunikace a.s.

Location:
Czech Republic

Industry segment:
City surveillance

Application:
City monitoring system

Medium-sized installations

Medium-sized installations is a fragmented market segment with various types of end customer integrators. This segment includes, schools, offices and larger stores with 10–100 cameras. Both large global system integrators and local installation engineers address segments with differing offers. While some end customers want advanced surveillance solutions on a par with larger installations, simpler and standardized overall solutions are also in demand.

Axis has a comprehensive product and service offer and works actively with training and more standardized solutions as well as cost efficient products for medium-sized customers.

The real estate company Liljenquist Properties offers parking lot lease agreements to high profile retailers and restaurant chains. Due to vandalism and crime in unprotected areas of the property, some agreements were at risk for cancellation. They installed a peer-to-peer video surveillance solution connecting network cameras in the parking lots to an AXIS Camera Station S1016 Recorder at headquarters. As a result, the vandalism has decreased by 80 %.



Organization:
Liljenquist Properties

Location:
California, USA

Industry segment:
Transportation

Application:
Parking monitoring

Small installations

The penetration rate for network video is still low in small installations, which are dominated by analog technology. This segment mainly includes small stores and offices with 1–10 cameras. Installation engineers and end customers are demanding smart overall solutions, which are easy to install and use. This market segment is expected to grow faster than the market as a whole over the next few years. Axis is continuing to develop user-friendly and cost effective overall solutions in order to drive network video knowledge and demand in smaller installations and among end users.

After an attempted burglary, Dave Young, owner of King's Sub and Pizza in Andover, Massachusetts, decided to replace his analog camera system with network video. As a small company operating in a sector with tight margins, King's Sub and Pizza tried to find a system that met requirements in terms of quality and user-friendliness, but that also matched their budget. King's Sub and Pizza installed five AXIS M10 cameras, which together with AXIS Camera Companion software and local storage directly in the camera created a comprehensive and efficient surveillance system. Users of the system can easily watch video in real time or handle recorded material via a tablet or smartphone anytime, anywhere. Now the restaurant can offer not only a safe and secure environment for customers and employees, but also improve its business.



Organization:
King's Subs and Pizza

Location:
Andover, MA, USA

Industry segment:
Hotel/restaurant/tourism

Application:
Loss prevention, safety and security, business operations

Americas

Sales increased during the year by 27 percent. Axis is the clear market leader in the region, accounting for more than 50 percent of total sales. The key North American market showed a stable performance. In the emerging markets in South America, the interest in network video remains strong but economic uncertainty during the year reduced demand in a number of countries. Axis had 308 employees in the Americas region at year-end.

North and Central America

Together, the countries in North and Central America constitute Axis' largest market. In the US and Canada, there is a firmly-established network of distributors and partners with comprehensive knowledge about the local market and trends. Both countries are characterized by advanced knowledge of the advantages of network video and a high penetration rate, particularly in larger installations. In order to be the most relevant partner, Axis, in recent years, has built an increasingly market-oriented organization in close collaboration with partners, architects and security consultants. There is huge growth potential in existing market channels and the concentrated effort to boost customer relevance through market segmentation is an important initiative. This segmentation aims for network security solutions that are adapted to end customer needs, security aspects and special requirements in terms of standards and norms. The expansion plan that was rolled out at the end of 2014 is proceeding well, and the office in Irvine, California was opened during the fall. Important end customer segments include retail, education and the public sector. Bank and finance also performed strongly during the year. Meanwhile, the investment in small and medium-sized installations is continuing with

full force. North America is a prioritized region for investments in overall solutions targeted towards these market segments and the interest and knowledge is continuing to increase in the market. Mexico developed well and investments are currently being made to build up loyal partner networks and establish a broader presence in order to take advantage of the continuing economic growth.

South America

The emerging markets in South America are still considered to have great potential. Urbanization, growing prosperity and IT expansion are all important factors in the increasing demand for network surveillance systems. Axis' sales in the region primarily consist of larger private and public projects, which are impacted by regional and national factors. The financial turbulence, particularly in Brazil, had a negative impact on the sales trend during the year. Brazil is Axis' largest market in South America and the majority of the employees work at the local headquarters in São Paulo. Meanwhile, interest is increasing in several other parts of the region in line with economic development. Countries such as Peru, Chile, Argentina and Colombia are continuing to grow in importance.

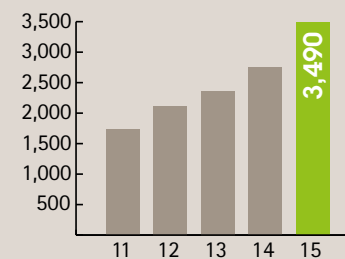


Local presence
in 9 countries

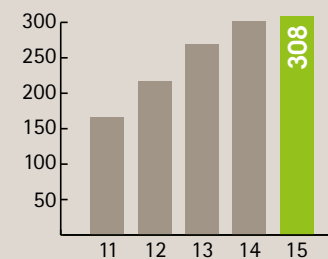
Market shares for network cameras, 2014*

Place	Supplier
1	Axis Communications
2	Panasonic System Communications
3	Sony Corporation
4	Bosch Security Systems
5	Avigilon

Sales in SEK M



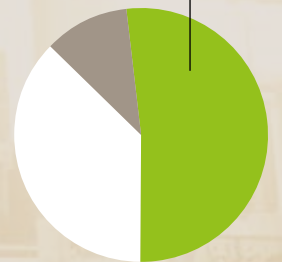
Number of employees



Customer segments in focus



52 percent of sales



*IHS CCTV and Video Surveillance Equipment, 2015

EMEA

Axis still has a leading position in EMEA. Sales increased by 18 percent during 2015. The market trend differs in different parts of the region. In Western and Southern Europe, some recovery was noted during the year. Demand continued to be strong in the Middle East. In large parts of Eastern Europe, political and economic uncertainty had a negative impact on sales. In total, 1,578 people work in the region and Axis currently has presence in 25 countries.

Europe

Axis has a strong position in the European market. Europe is considered to have a high penetration rate for network video and large parts of the market know about the advantages of digital technology. The already strong partner network has been supplemented with new players in emerging markets and partners focused on small and medium-sized systems. Europe is a fragmented market and demand varies among the countries. After a number of years of weak performance, the countries in Southern Europe showed improved growth during 2015. Sales were boosted by continued investments in small installations and an increasing need for new investments due to the financial squeeze in recent years. In France and Italy, dedicated resources for small installations were added. This means that Axis' local experts can offer onsite training to smaller installation engineer firms and resellers and further drive the technology shift in this market segment. In Northern Europe, sales developed positively with good demand in the UK and Scandinavia. Central Europe showed a slightly lower growth rate. The market situation is still challenging in large parts of Eastern Europe. Economic and political uncertainty, particularly in Russia and Ukraine has reduced demand. There is an underlying need for network video but the uncertainty is resulting in cautiousness

when it comes to larger infrastructural investments and new construction projects.

The Middle East and Africa

A continued high rate of investment in several Gulf States is supporting demand for network security solutions. Digital systems are dominant in new installations and the region is characterized by high security awareness. Axis is continuing to strengthen the local organization and develop products and solutions adapted to local conditions. During the year, the Middle Eastern countries continued to grow as a proportion of total sales and Axis has a good basis to further strengthen its position in this rapidly growing region. Africa is expected to have great long-term growth potential in line with an increasing level of urbanization and IT expansion. The primary focus is on the largest and most rapidly growing sub-Saharan markets. During the year, a new local office was opened in Nairobi, Kenya. The African continent has a relatively low use of video surveillance in general and network video in particular. To further boost knowledge about the benefits of digital technology, a large number of partner events, training courses and market activities were carried out during the year. Axis continually evaluates expansion and establishment opportunities in new markets in the region.



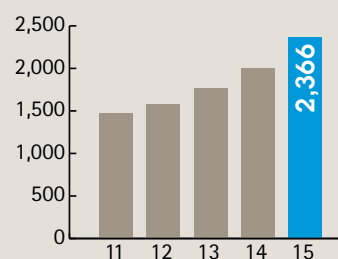
Local presence in **25** countries

Market shares for network cameras, 2014*

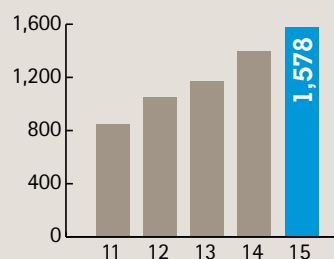
Place	Supplier
1	Axis Communications
2	Hikvision
3	Bosch Security Systems
4	Mobotix
5	Sony Electronics

*IHS CCTV and Video Surveillance Equipment, 2015

Sales in SEK M



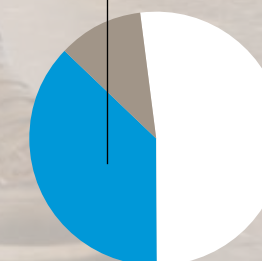
Number of employees



Customer segments in focus



37 percent of sales



Asia

Axis' market expansion continued during 2015. During the year, sales increased by 10 percent. The interest in digital security systems is increasing rapidly. China is currently the largest single market for network video and the strongest growth engine in the region. During the year, the countries in Southeast Asia displayed a particularly strong performance. Axis has ambitious targets when it comes to expansion and growth, with a clear ambition that the region's share of total sales should increase. At year-end, 253 people worked in the region.

Northern Asia

The Chinese market is continuing to show strong growth and is now the largest global market for network video. Axis is investing to increase its presence through local personnel and a stronger partner network. The Chinese market is characterized by intense competition and high price sensitivity. Axis' business is currently focused on larger and complex projects, where the overall quality and service offering is of great importance. The local development centre in Shanghai is working on continued releases of products and solutions that meet local norms and standards. To further train system integrators and end users, an Axis Solutions Conference is arranged every year in the region. The conference has successfully established new cooperation and increases knowledge among new and existing partners. The Japanese market developed well and Axis won a number of major projects there. Meanwhile, there is a clear ambition to strengthen the company's presence in the other emerging markets in the region. Important drivers such as urbanization, infrastructural investments and increased prosperity are creating great future opportunities. Through customer-oriented solutions and strong market channels, Axis is striving to drive the technological shift and create a

smarter and more secure environment for the millions of people who live in the region.

Southern Asia

After some slowdown during 2014, a number of countries in Southern Asia displayed good growth. The underlying need for digital security solutions is continuing to grow across the entire region. Axis has a leading position in the mature markets of Australia, New Zealand and Singapore. During the year, investments were made in order to expand in several of the region's growth markets. A new office with Axis' own personnel was opened in Bangkok. This is an important, strategic investment in order to get closer to the emerging markets in Indo-China. Meanwhile, the expansion in India is continuing – a market that is expected to grow rapidly in the coming years. Using the offices in Bangalore, Delhi and Mumbai as a base, partnerships and cooperation are being developed to capture the increasing demand. Axis is continuing to get strong recognition for innovative releases and during the fall, Axis' Zipstream technology received the 'CCTV Product of the Year Award' from the Australian Security Association Limited.

Local presence in **16** countries

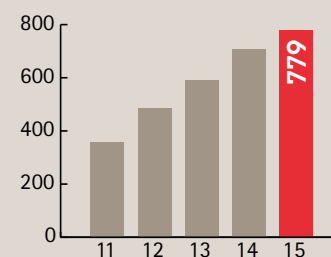


Market shares for network cameras, 2014*

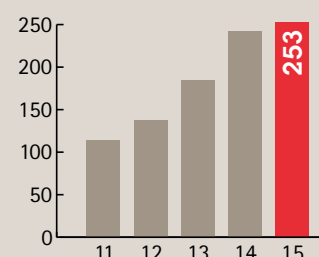
Place	Supplier
1	Hikvision
2	Dahua
3	Panasonic Systems Communications
4	Uniview
5	Samsung Techwin
6	Axis Communications

*IHS CCTV and Video Surveillance Equipment, 2015

Sales in SEK M



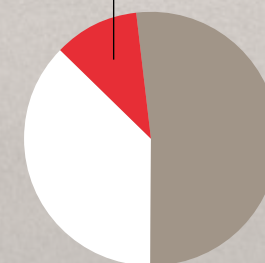
Number of employees



Customer segments in focus



11 percent of sales

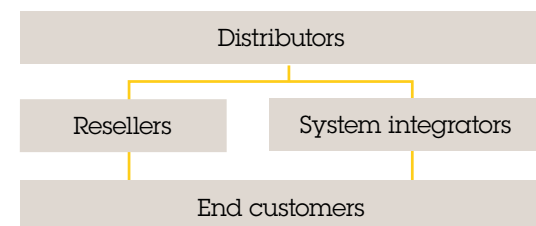


Business model for global market presence

Distributors and partners are cornerstones in Axis' strategy to be a leading global player with a strong market presence. A well-developed network of distributors and partners with a strong presence in regional markets and good knowledge about local trends means that Axis is well-positioned to take advantage of the market's future growth potential. This strong network creates a significant competitive advantage for Axis.

A successful business model

Axis' business model is based on leading products and solutions that reach the market via a scalable two-stage sales model. Axis' products reach end users via distributors that in turn sell on to security integrators and resellers. Long-term collaboration and continual exchange of knowledge creates loyal partnerships. The full potential of the business model is best harnessed by combining the collective knowledge and expertise of all partners. Together with distributors, system integrators, resellers, software developers, architects and consultants, the growing need for professional and innovative security solutions is being met. The collaboration with partners has been a strong driving force in the shift from analog to network video surveillance in large installations. The process of driving the technology shift in small and medium-sized surveillance systems is underway with full force. Continued efforts are being made to develop the network, drive the technology shift and broaden the use of digital security systems. The overall knowledge enables rapid adaptation to new trends and creates the basis for driving developments and producing the solutions of tomorrow.



Distribution

Axis' distributors store products and create efficient logistics chains. Working in each country with both local and global players ensures broad market coverage and access to Axis products. The distributors also play a key role in assessing the overall market trend. Continual dialogue and forecast inventory levels provide Axis with a good understanding of demand in various markets and for different products. As the product offering is expanded, the need is also growing for value-adding distributors that can offer consultation and expertise in the contact with partners. Work is continually ongoing to evaluate the distribution network in order to ensure that it can meet and manage the increasing number of partners and Axis' broad product offering around the world.

System integrators and resellers

Axis currently works with more than 80,000 partners in order to offer the most relevant security solutions to end users in all customer segments around the world. It is these partners that meet the end customers and are responsible for installation, system integration and servicing. The partner's role can vary among different customer segments. During larger complex installations, system integrators have overall responsibility and create the optimal security solution together with the end user. These partners have good knowledge of customer needs and ensure that the products meet local regulations. Axis has dedicated sales resources with specialist competencies who work together with partners on demanding and advanced projects. This close collaboration is also developed through continuous support in the form



of training, knowledge transfer and loyalty programs. Strong collaboration creates a shared ambition to offer leading products, service and support to the end customer. Axis works consistently to improve the collaboration with existing partners, while broadening its network with new partners in line with continued establishments in new regional markets and new market segments.

Training and knowledge transfer

Axis is continuing to train the market through global training and certification programs aimed at increasing knowledge about network video and strengthening its position among relevant market parties. Four different programs are currently operated, which are targeted towards different parts of the market.

- > Architecture & Engineering Program: Directed towards consultants, architects and engineers who design and specify security systems.
- > Application Development Partner Program: Aimed at training third party developers of software and applications, which are integrated into Axis surveillance solutions.
- > Channel Partner Program: Targeted towards system integrators and installation engineers. Through training and web-based courses, both existing and new partners are trained in network video and Axis solutions.
- > Technology Partner Program: The program is created for technology partners that along with Axis offer complete security solutions. Through close collaboration with, and training of suppliers of hardware and other critical components, optimized and integrated systems for end users are created.

5,562
Axis Certified Professionals

61,000
participants in classroom training

Leading product development

Axis aims to be the most innovative provider of network security solutions. Product leadership is created by combining good market knowledge with continual innovation and product development in order to increase customer value. The industry's rapid technological advancements are creating opportunities to offer a product portfolio that drives developments, challenges established standards and exceeds customer expectations.

A rapid release rate of smart, innovative and sustainable products is a critical factor for continued growth. The investment in research and development has been consistent over the years. Axis currently has about 150 products in its portfolio. About one third of these are replaced by completely new or improved products every year. During the year, more than 30 new products were introduced.

While network cameras represent the majority of sales, investments are increasing in software and entirely new products that support and complement the core business.

By taking a greater overall responsibility, new business opportunities are being created and a further way to drive developments.

At the company-wide research and development department at Axis' headquarters in Lund, clear processes are created for effective and successful innovation. The organization is driven with customer value, cost efficiency and sustainability in focus. More than 700 engineers work on developing products that rapidly meet today's needs and tomorrow's challenges.



► Technology

With a starting point in continually improving image use and streamlining surveillance, Technology focuses on enhancing image quality, smart analytical applications and smooth integration with other network systems.



► Network cameras and Encoders

Trends are identified in the various end customer segments in close dialogue with partners and the local sales organizations. The focus lies on developing successful products and on releasing entirely new product concepts. Here, it is also ensured that all products meet requirements and standards in respect of quality and reliability.



► Software and solutions

Software and solutions is a rapidly growing product area. As part of the market is demanding overall solutions, Axis is working on optimizing the customer experience by integrating proprietary software with Axis cameras and encoders. AXIS Camera Station is targeted towards medium-sized installations while AXIS Camera Companion and AXIS Video Hosting solution are aimed at small installations.



► New Business

Axis aims to become the most relevant provider of network security solutions. New Business works on developing entirely new product concepts that will support the core business and completely new innovations as part of the ambition to be a leading provider of overall security systems.





Releases

during the year

AXIS Camera Companion 3

During the year, an upgraded version of Axis' award-winning software for small systems, AXIS Camera Companion 3, was released. The new version improves the efficiency of the installation process and offers even greater flexibility for small security systems. Axis Secure Remote Access enables smooth installation and encrypted communication between cameras and a computer, Smartphone or tablet. The user can easily manage the system via mobile devices and adapt the surveillance to various situations.

Zipstream

Axis' Zipstream technology analyzes and optimizes video streams in real time. Scenes containing interesting details are recorded in full image quality and resolution while other areas are filtered out, to optimally use available bandwidth and storage. Important forensic details like faces or license plates are isolated and preserved, while irrelevant areas such as white walls and empty areas are filtered out. Zipstream lowers bandwidth and storage requirements by an average of 50 percent and is compatible with Axis cameras and the market's leading software providers.



764

employees work with research and development

AXIS Q61 PTZ Series

These compact PTZ cameras are suitable for indoor and outdoor applications, also in lowlight and challenging conditions, making them ideal for applications such as city surveillance, shopping malls, industries and schools.

The camera series is equipped with Axis' Sharpdome technology, a new technical innovation concept for PTZ cameras, that with its innovative mechanics and a unique dome geometry provides full scene fidelity and sharp images in all directions. In addition, the technology enables cameras to offer the unique capability to identify objects as much as 20° above the camera horizon making these cameras also suitable for uneven terrain.

The cameras provide Lightfinder technology and Wide Dynamic Range to handle difficult lighting conditions and support electronic image stabilization – useful for getting smoother video in windy conditions.

AXIS Q61 Series received the "Good Design Award 2015" from the Japanese Institute of Design Promotion.



AXIS P14 Series

The cameras series consists of seven different cameras to meet various end customer needs. Featuring technologies such as Ultra HD resolution, optimized IR, Lightfinder and remote zoom, the camera is ideal for surveillance of parking lots, public areas and universities.



15 %

of revenue invested in research and development



Percentage of new products in the portfolio:

26 %



AXIS Q3709-PVE

The camera has three 4K sensors that combined provide a detailed 180° panoramic view with a capacity up to 33 megapixel resolution. Providing high image quality and a broad overview, the camera is ideal for surveillance of larger areas, outdoors as well as indoors. Thanks to a removable weathershield, the casing is easily repaintable in installations with challenging weather conditions.



Quality and customers in focus at every stage

As the market develops, new demands are continually imposed in relation to products, services, service and support. Axis' goal is to deliver leading products and solutions that meet and exceed customer expectations in every respect. Clear development processes with quality and customer needs in focus ensure that products meet global and regional rules and regulations. Long-term and demanding relations with contract manufacturers ensure continually high production quality. Market-leading customer support provides rapid assistance to partners as well as end users. Quality and customer benefit pervade each stage of the process. With the aim of minimizing the total cost over a product life-cycle, unrivalled customer value is created from a cost and user standpoint.

▶ Innovation and product development

The innovation process focuses on drawing up long-term guidelines for every product group based on an understanding of market trends, technological advancements, customer needs and the proprietary product portfolio.

The development work is based on market inputs as well as insights about the strength of proprietary products. The innovation process is driven by regular interaction among all internal stakeholders in order to maintain a high tempo, transparency and quality in the development work. The entire process is defined by making the right products in the right way.

▶ Production

Axis' products are produced by selected contract manufacturers, which are strategically located around the world. Based on Axis' growth ambitions, continual evaluation of production units takes place.

This is not just to secure future production volumes. It also builds loyal relationships and reliable production planning. In order to be a reliable partner and create flexibility in the production structure, Axis' strategy is to account for more than 5 percent but less than 25 percent of each production unit's sales. Each product is produced by at least two different units in order to ensure deliveries, as far as possible, in the event of operational disruptions. In an increasingly competitive market, the importance of ensuring cost efficient manufacturing increases. This enables Axis to offer innovative products at competitive prices on the promised dates.

▶ Operations and supply chain

A rapid release rate, a broad global presence and ambitious quality and delivery targets require a clear and flexible production and logistics chain.

Axis continually strives to build efficient internal structures and works with proprietary configuration centers close to end customers, ensuring that high quality deliveries are made to customers at the intended time. Axis currently has six configuration centers, which each month handle thousands of new customer orders and hundreds of thousands of units for delivery to customers all over the world. Central management of the final production stage before customer delivery means that Axis can guarantee a high level of service and product quality throughout the world. Products are tested by third parties to ensure that they meet international standards.

▶ Service and support

For Axis, quality is not just about products, manufacturing, standards and approvals. It is also an assurance that extends all the way to technical support and service.

Customer support is available in many ways. Axis' helpdesk offers online assistance and troubleshooting through direct contact with Axis technical support. Support engineers all over the world are ready to assist customers everywhere, at any time, in more than 15 languages. About 95 percent of all support cases are resolved by local support organizations, which aim to solve all issues during the initial contact. It is also possible to chat with a support technician, who responds within five minutes. Customers receive instructions and troubleshooting assistance round-the-clock. In most regions, Axis also offers telephone support in the local language.

Employees and leadership

Committed employees are a requirement for creating the innovative and open corporate culture needed so that Axis can be successful and reach its goals. Professional development of employees and measures to promote taking of responsibility, new thinking and knowledge exchange are high-prioritized areas pervading the organization.

Motivated employees and clear leadership play a key role for Axis to reach its goals and vision. Strong values are the basis for all business activities. Meanwhile, customer value is created through the passion of employees in order to develop loyal collaboration, drive technological advancements and contribute to sustainable development.

A strong and inspiring corporate culture

An innovative corporate culture based on committed employees with varied backgrounds gives Axis the right competencies and creativity to develop relevant and successful products. At the same time, the importance is increasing of promoting sustainable development for current and future generations in a world where the pace of development is moving faster and faster. Together with strong values, these factors form the basis for the company's operations. The employees' passion for innovation, consumer insights and collaboration are characteristic features of Axis. Meanwhile, clear leadership is crucial for successful execution of the strategy. Axis' leadership model emphasizes the importance of managers being leaders for both the business operations

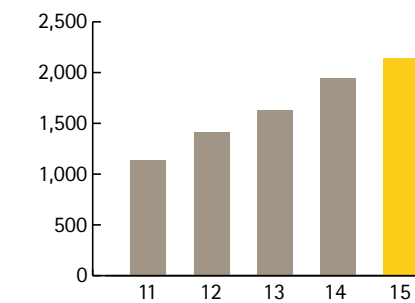
as well as the employees. During the year, the implementation continued of a global training program for leadership development. The programme is an important part of the efforts to create a learning organization with a strong culture of feedback and clearly-defined goals.

Efficient and high-performing organization

An important part of Axis' vision is that the employees perceive the company as an attractive employer. Regular employee surveys and workplace evaluations are important tools in assessing the personnel's view of the corporate culture, leadership, teamwork and results. During 2015, Axis was ranked highly in surveys conducted by a Great Place to Work and Universum. Participation and feedback from all employees make it possible to evaluate results internally but also to compare with other companies. The results from the survey are used to improve business operations and to work towards an efficient and high-performing organization that attracts and develops skilled employees. Axis offers career opportunities in a global company with a strong focus on quality, innovation and sustainability.



Number of employees 2011–2015



A good employer

Axis' global operations mean that diversity is a natural element in all areas of the company. Axis complies with the labor legislation in force in the countries where the company operates and imposes the same clear requirements on subcontractors and partners. Axis applies zero tolerance against all forms of discrimination and insults at all levels, regardless of whether it relates to age, sex, religion, sexual orientation, civil status, social or ethnic background, political opinion or other motives. Axis also strives to ensure that all employees with equivalent experience and qualifications should have equal pay for equal work. Axis Q network is an internal network aimed at raising the share of women and supporting them in their professional development. All employees have the free right to join trade unions and negotiate collective agreements in accordance with local regulations and applicable conventions. Axis' Code of Conduct stipulates that all employees are expected to uphold, contribute to and promote the company's values, integrity and responsibility. Absence due to illness in the Swedish operations remained low during the year and amounted to 2.4 percent (2.2).

Employees in numbers

	2015	2014	2013
Number of employees globally	2,139	1,941	1,627
Women, %	27	27	27
Men, %	73	73	73
Average age	39	38	38
Employee turnover, % (persons who left the company)	7.3	6.8	5.8
Employees with degrees, %	80	81	80

Clear goals

Axis' HR department works on the basis of clear structures to create an effective recruitment process, a scalable organization and keen awareness of the employees' ideas and viewpoints. During 2014, a number of goals and development areas were established for the coming years:

1 Recruitment

- > Clear local recruitment processes
- > Development activities towards universities and colleges
- > Target group differentiation
- > Increased use of social media

2 Scalability

- > Introductory training
- > Knowledge transfer
- > Sustainable working environment

3 Personal development

- > Clear career paths
- > Training policy
- > Leadership
- > Teambuilding

4 Corporate culture

- > Employee activities
- > Diversity and equality
- > Core values
- > Clear channels for internal communication

5 Evaluation and management

- > Global reward and compensation system
- > Evaluation of tools for operational control
- > Securing skills during generation changes
- > Continual follow-up

Sustainability

Sustainability is an integrated and important part of Axis' business. As market leader in network video, Axis has a major impact on many people's lives and therefore takes long-term responsibility for how its operations affect employees, distributors and partners, end customers, suppliers, investors and society. Axis takes environmental, economic and social responsibility and also in relation to business ethics.

Axis wants to act as a model when it comes to sustainable enterprise, and drives its sustainability efforts along the entire value chain.

Reduced environmental impact and greener products

Axis strives to minimize the climate impact from its own operations and from the company's products and solutions. Axis implemented a number of measures during the year. These included offsetting carbon for business trips, launching and introducing a *Green Design Evaluation Form* for more environmentally conscious product development and signing a green lease.

Green Design Evaluation Form, material and energy consumption

Axis launched and introduced a *Green Design Evaluation Form* in its product development processes for all projects. The aim is to integrate environmental considerations into product development in an even better way, while the products should meet the company's quality and functionality requirements. *The Green Design Evaluation Form* makes it easier to evaluate various aspects such as material that reduces the weight and volume of the products, that it is made of recycled material and does not contain any substances that are hazardous to health or the environment. Other aspects evaluated include waste production.

Axis aims to phase out PVC plastic from its products. At the end of 2015, about 70 percent of all network cameras and encoders were PVC-free. Axis also works to reduce the use of bromine and conducts thorough surveys of bromine in all components used in the company's products. Energy consumption in the products shall be minimized, both in the product development phase and during use by end customers. Axis has conducted life cycle analyses to identify the products' environmental impact, from product development to the

end use phase. Axis also works to optimize, reduce and recycle packaging by using new material and developing innovative packaging methods. Less physical volume during transports results in cost savings and lower carbon dioxide emissions.

Green lease

Axis has signed a green lease with one of its property owners in Lund. The lease means that Axis and the property owner will work actively together to reduce the environmental impact of the premises and property: reduce water consumption, consider the environment when choosing materials for the premises etc. A concrete action plan will be produced during 2016.

Environmental goals

The company's goals include

- > reducing carbon dioxide emissions per ton-km in freight transports
 - reducing carbon dioxide emissions per ton-km in Axis-controlled transports to customers
 - increasing ocean and road transports in relation to air transports
- > reducing electricity consumption per employee
- > ensuring that suppliers have a management system in place for environmental as well as other sustainability aspects.

Business ethics in the entire value chain

Axis enjoys long-term relationships and collaborates closely with its suppliers, which helps to promote ethical business conduct in the entire value chain and ensures that product development, manufacturing, sales and distribution occur in a sustainable way. During the year, Axis increased and clarified its requirements for sustainable conduct by its partners and placed additional focus on sustainability efforts in the sales organization. Axis has a Business Ethics Council, which ensures that its business is conducted in an ethical way and in accordance with

the company's business ethics policy and export control policy. Axis has signed the UN's Global Compact and complies with corporate governance regulations.

Axis' Code of Conduct establishes the values and guidelines on which Axis conducts its business. All employees undertake to comply with Axis' Code of Conduct. Partners are expected to comply with the Code of Conduct and all suppliers have to comply with Axis' Supplier Code of Conduct, which is based on Axis' Code of Conduct.

Zero tolerance against corruption

Axis has zero tolerance against all forms of corruption and bribery and advanced its position during the year in this area. Almost 100 percent of all employees and the Board have signed an agreement where they undertake not to accept bribes or participate in corruption, in accordance with Axis' anti-corruption policy. Axis informs its partners about the policy and all the company's distributors have signed a supplementary agreement to the distributor agreement, where they undertake to comply with Axis' anti-corruption policy. The Code of Conduct for suppliers includes zero tolerance against corruption.

Thorough supplier audits

Axis audits its suppliers to ensure that they meet the company's requirements. In total, 84 percent of the suppliers that have a significant impact on Axis, environmentally or in other sustainability respects, have been audited. During the year, Axis further improved its supplier audit processes.

Security, safety and protection of personal integrity

For Axis and the company's partners it is of great importance that personal integrity is handled correctly. The end users are responsible for how surveillance cameras are used and how the video material is stored, which are the two most important aspects of personal

integrity. Axis is careful with its choice of partners and informs its partners in order to ensure as far as possible that the company's network cameras and solutions are installed and are used in a proper way, and that the video material is protected and stored securely.

Social responsibility

Axis aims to take long-term social responsibility both inside the company and externally. This includes charitable work and sponsorship, where Axis supports various training initiatives, environmental projects and other efforts.

Axis as a workplace

Axis does not allow any form of discrimination whatsoever and it should be just as easy for all employees to make a career, regardless of background and gender. A number of initiatives were also implemented to promote greater equality and diversity: including a salary survey, which was conducted in Sweden in order to identify if salary differences exist between men and women and a person was appointed to work specifically with diversity issues. Axis has produced sustainability reports for its operations since 2010 and reports its sustainability work according to Global Reporting Initiative's guidelines for sustainability reporting, G4. Read more about the sustainability work in Axis' sustainability report, which is available on www.axis.com/sustainability



The share

The share's performance in 2015

Axis was listed in 2000 and since January 1, 2013 is part of the Large Cap segment on the Nasdaq Stockholm exchange. The final price paid on December 31, 2015 was SEK 343.40 (199.60). The highest market price, SEK 360.00, was recorded on June 24. The lowest market price during the year, SEK 188.10, was recorded on January 16. The total number of shares on December 31, 2015 amounted to 69,461,250. The total share turnover on Nasdaq Stockholm during the period January 1, 2015–December 31, 2015 amounted to 38 million shares (44). This is equivalent to a turnover rate of 54 percent of the total number of shares. The average number of shares traded per day during the period amounted to 150,263 to a value of 47.9 SEK M. The market capitalization on December 31, 2015 amounted to SEK 23.853 M (13,864), an increase of 72 percent.

Dividend

Axis' majority owner Canon Inc has informed the company's Board of Directors that Canon Inc, at the Annual General Meeting (AGM) 2016, will vote that no dividend should be distributed to the shareholders. In light of this information, Axis' Board and President have decided not to propose any dividend at the AGM 2016 and that the profits at the disposal of the AGM should be carried forward.

Total yield

Total yield refers to the real performance of an equity investment and consists of alteration in price including reinvested dividends. Axis' total yield for 2015 was 72.2 percent. The annual total yield has amounted to 28.6 percent during the past five years.

Ownership

At year-end, Axis had 1,667 (21,029) registered shareholders. The largest individual owners at year-end were Canon Inc with 85.08 percent of the share capital, followed by Barclays Capital Securities Ltd with 4.83 percent and Elliot International LLP, 3.71 percent. The combined holdings of the ten largest owners represented 98.8 (51.2) percent of the outstanding shares in terms of capital and votes. Axis' largest owner emerged during the year. The proportion of shareholders resident outside Sweden totaled 8.1 percent (135 persons), with a combined shareholding of 99.44 percent. The largest owner countries were Japan, the UK and US. Canon Inc's acquisition of 85.08 of Axis' shares has significantly changed the proportion of foreign ownership compared to the previous year. The proportion of shareholders resident in Sweden was 91.90 percent (1,532 persons) with a combined shareholding of 0.56 percent.

Employee stock option program

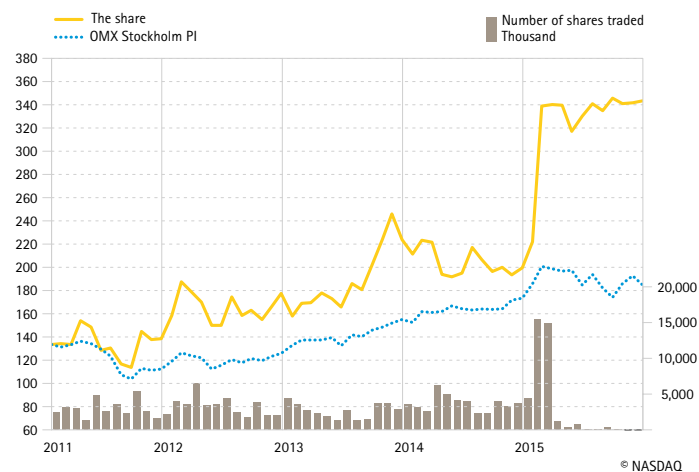
Axis has no outstanding stock option programs.

Financial information

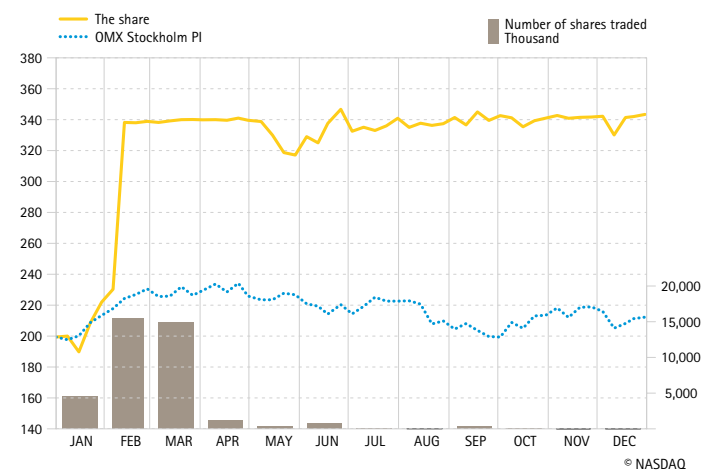
Axis' ambition is to continually provide the stock market, shareholders and other stakeholders with correct, consistent and relevant information with the aim of increasing understanding of the company. Financial information is mainly provided in interim reports, year-end reports and annual reports. Major events that can materially impact Axis' business are communicated via press releases to the media, capital market and other stakeholders. Printed versions of interim reports and the annual report are distributed to shareholders upon request.

Press releases, interim reports, year-end reports and annual reports are available on the company's website www.axis.com in Swedish and English in accordance with the regulations of the stock exchange.

Axis share price trend 2011–2015



Axis share price trend during 2015



Shareholders December 31, 2015

	Number of shares	Share capital (%)
Canon Inc.	59,095,304	85.05
Barclays Capital Securities Ltd	3,352,094	4.83
Elliott International LLP	2,577,511	3.71
CBNY-Norges Bank	998,152	1.44
Elliott Associates, L.P.	904,060	1.30
Total 5 largest shareholders	66,927,121	96.35
Other	2,534,129	3.65
Total	69,461,250	100.00

Ownership December 31, 2015

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK '000)
1–500	1,475	168,959	0.24	0.24	58,021
501–1,000	108	87,621	0.13	0.13	30,089
1,001–5,000	56	112,686	0.16	0.16	38,696
5,001–10,000	8	62,467	0.09	0.09	21,451
10,001–15,000	1	14,119	0.02	0.02	4,848
15,001–20,000	2	35,354	0.05	0.05	12,141
20,001–	17	68,980,044	99.31	99.31	23,687,747
Total	1,667	69,461,250	100.0	100.0	23,852,993

Trend in share capital

Year	Number of shares	Nominal amount (SEK)	Share capital (SEK)
2000–2004	68,900,000	0.01	689,000
2005	68,925,000	0.01	689,250
2006	69,252,700	0.01	692,527
2007	69,372,200	0.01	693,722
2008	69,373,700	0.01	693,737
2009	69,375,700	0.01	693,757
2010	69,461,250	0.01	694,612
2011	69,461,250	0.01	694,612
2012	69,461,250	0.01	694,612
2013	69,461,250	0.01	694,612
2014	69,461,250	0.01	694,612
2015	69,461,250	0.01	694,612

Per-share data

	2015	2014
Profit after financial items, SEK	12.67	10.28
Cash flow, SEK	8.65	1.11
Shareholders' equity	25.06	15.79
Share price at end of period, SEK	343.40	199.60
Price/equity, percent	1,370	1,264
Dividend paid, SEK	0.31	5.50
P/E ratio	37	26
P/S ratio	3.60	2.54
Result, SEK	9.39	7.76
Number of outstanding shares (thousands)	69,461	69,461
Average number of shares (thousands)	69,461	69,461

The Board of Directors and President submit the following financial statements and consolidated financial statements for the fiscal year January 1, 2015–December 31, 2015.

Unless otherwise stated, all amounts are in SEK millions. Information in parenthesis refers to the preceding year.

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Administration report

Axis AB is a public Swedish stock corporation with its registered office in Lund, Sweden. The company is registered in Sweden under the corporate identity number 556241-1065. Since 2015, Axis AB is part of the Canon group with Canon Inc as the ultimate parent company. The hedge fund Elliott Capital holds, through direct or indirect ownership, an equity interest that exceeds 10 percent. These financial statements were approved by the board of directors on March 14, 2016.

Operations

Axis offers intelligent security solutions that enable a smarter and safer world. As the global market leader in network video, Axis is driving the trend in the industry by continually releasing innovative network products based on open platforms, which deliver added value to customers and are distributed through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and groundbreaking network products in existing and new markets.

Axis has more than 2,100 dedicated employees in more than 50 countries around the world, supported by a global network of over 80,000 partners. Founded in 1984, Axis is a Sweden-based company and is listed on Nasdaq Stockholm under the ticker AXIS.

Significant events

Global demand for network security solutions is continuing to grow. Increased security needs, urbanization and the technology shift from analog to digital surveillance are continuing to drive the market. The market trend in 2015 was largely in line with the expectations at the start of the year. The growth rate declined slightly, however, compared to the previous year, mainly due to macroeconomic and political uncertainty in a number of countries, which reduced demand to some extent for network video products. The growth rate in the market is estimated to have amounted to approximately 10 percent. Axis' sales growth was 22 percent in Swedish kronor and 5 percent in local currency. Sales varied a lot between Axis' three regions. EMEA grew by 12 percent currency-adjusted and Americas by 4 percent while Asia decreased by 9 percent. The trend in Asia was mainly due to decreased sales in China as a result of intense competition from local players. During the year, IHS Research presented its yearly report on developments in the global market for video surveillance equipment. In the report, Axis was ranked number one in the Americas and EMEA regions and number six in Asia, based on market shares. The market presence was strengthened with own employees in both established and new geographical markets. Both in established markets and in emerging markets, Axis has continued to release innovative network surveillance solutions, strengthen the network of loyal partners and train the market within the framework of the company's global training programs.

During the year, Axis continued to increase its investments targeted towards small and medium-sized installations. Through specially-developed overall solutions and more dedicated internal resources, these market segments are expected to grow as share of total sales in the coming years. The innovation rate has remained high. During the first quarter, Axis'

Zipstream technology was released, which lowers bandwidth and storage requirements by an average of 50 percent. The technique is fully compatible with the H.264 compression standard and can be used with Axis cameras and the market's leading network surveillance software. Meanwhile, the AXIS C3003-E Network Horn Speaker was released, a network loudspeaker, which can be easily integrated into a surveillance system. This product is an important complement in our ambition to broaden the company's portfolio and offer complete surveillance solutions. During the same period, the AXIS Q61-E PTZ Series was also released. Among other features, the camera series is equipped with Axis' Sharpdome technology, an entirely new technical surveillance concept for PTZ cameras, and Axis Speed Dry function for surveillance in poor weather conditions. The cameras are primarily suited for surveillance in cities, shopping malls and industries.

In spring, the AXIS A8004-VE was released, an IP-based door station featuring an integrated HDTV camera that allows customers to quickly and easily communicate with and identify visitors. The product is weather- and vandal-proof and is installed just as easily as a network camera. During the same period, the AXIS F Series was introduced, featuring three very small and discreet HDTV sensor units. The product has been developed for surveillance in tight places for customers in retail and banking. The AXIS P14 Series is a camera series consisting of seven different cameras. Featuring technology such as 4K resolution, built-in IR and remote zoom, the camera is ideal for surveillance of parking lots and public areas.

The AXIS P55 Series was strengthened during the fall with four new PTZ cameras, which gives Axis one of the market's broadest portfolios of PTZ cameras. The new cameras have been equipped with built-in smart applications and with support for Axis' video management software, AXIS Camera Station, further applications can be easily and efficiently handled by the cameras. The cameras are mainly targeted towards medium-sized installations. The AXIS F34 was also released, a complete and cost-effective surveillance system for smaller installations consisting of four network cameras and a main unit. The surveillance system is packaged with all necessary hardware and software and is easy to purchase, install and manage. Store owners can easily monitor and manage the system remotely via an internet connection and thus ensure a safe environment for customers and employees.

On February 10, Canon Inc. made a public offer to Axis' shareholders. Canon Inc. subsequently acquired about 85 percent of the shares in Axis – a strong and long-term principal owner that gives Axis the potential to further strengthen its competitiveness through improved access to leading knowledge and technology. During the year, the process developed according to plan. Axis is continuing to operate as an independent company in the Canon group with a retained focus on strengthening its own operations and working towards clearly-defined targets.

Axis unveiled plans during the year for construction of a new headquarters in Lund. The new headquarters will be located in close proximity to the company's existing premises. The building is expected to be ready during 2018 and will have space for

about 1,100 employees. The ten floor office building with a total area of 40,000 square meters, will occupy an entire block at the Ideon Science Park and will accommodate many of Axis' corporate functions.

The interest in network video is well spread over a number of sectors and fields of application. During the year, several interesting deals were completed with major chain stores, public authorities and within the transportation sector. The close collaboration with partners, distributors, resellers and application developers continued during 2015. Within the partnership programs, members were trained in the benefits of network video in general and Axis' product range in particular. At the end of the year, over 80,000 companies were part of the various partner programs.

Significant events after the end of the fiscal year

On January 31, 100 percent of the shares were acquired of the French video analytics provider Citilog. The company is a leader in traffic monitoring applications and the acquisition represents a natural step in Axis' strategy of being able to offer customized solutions, targeting different customer segments. For further information about the acquisition, refer to Note 28, Events after the Reporting Period.

Sustainability and environment

Axis has adopted an overall environmental policy with the aim of reducing the environmental impact of its operations and products. The goal of the environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with. As a market-leading player, Axis takes a long-term responsibility for conducting responsible operations. Today, sustainability is a natural part of everything we do and we have a policy with an ambition to be an industry-leader in sustainability issues. Axis implemented a number of measures during the year. These included offsetting carbon for business trips, launching and introducing a Green Design Evaluation Form for more environmentally conscious product development and signing a green lease. In order to further improve the working environment, Axis carried out a number of measures during the year, such as producing a new rehabilitation process for persons on the sick list in Sweden and working preventively with health and improving safety at workplaces in several different countries. Training programs and checks of suppliers and contract manufacturers have continued in order to ensure that they meet Axis' strict requirements relating to the environment and working conditions.

In 2007, Axis signed the UN's Global Compact, which means that Axis observes ten principles in the areas of human rights, labor, environment and anti-corruption. Axis complies with global export control regulations and has also established a Business Ethics Policy and a Business Ethics Council in order to ensure that all business is conducted in a responsible and correct manner. Each year since 2010, a separate sustainability report has been compiled for the operations, including a special account where Axis reports according to GRI (Global Reporting Initiative) Level G4 according to the new reporting standard from 2014. Axis previously reported at Level C.

Research & development

During 2015, 15.9 percent (16.7) of the group's sales were invested in research and development within both hardware and software. Research and development expenditure increased by SEK 127 M (150) compared to the preceding year and amounted to SEK 986 M (859). Expenditure on development

work totaling SEK 69 M (52) was capitalized during the year. The capitalization principle is described further in Note 1 to the financial statements. Axis' technology is based on proprietary ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. The ARTPEC® chips are optimized for effective image processing and image compression and are found in the majority of Axis' products. In conjunction with Axis' software platforms, they form a very flexible technology base on which world-leading products can be developed, rapidly and cost effectively. Work on development of future generations of ARTPEC® continued during 2015.

Axis conducts an active patent strategy to safeguard investments in core technology and intellectual capital. During the year, applications for 9 new design families and 43 new patent families were filed, chiefly related to camera technology. During 2015, 65 national patents and a number of registered designs were granted. Axis currently holds 261 active patent and registered design families.

Research efforts are currently focused on four strategic areas: image quality, image analysis, system solutions and network security. Long-term technological development is conducted in-house in all these areas. Research is largely carried out as an industrial undertaking in various national and local research programs.

Personnel

The recruitment rate was relatively high during 2015. At year-end, the number of employees totaled 2,139, which represents a net increase of 198 people since December 31, 2014. Most of the increase took place in sales and marketing as well as in research and development. Of the employees, 1,323 (1,164) people are employed in Sweden and 816 (777) in other countries.

Financing and cash flow

Axis had a total of SEK 1,066 M at its disposal on December 31, 2015, of which cash and cash equivalents amounted to SEK 1,016 M and unutilized credit facilities totaled SEK 50 M. Consequently, Axis is in a very strong financial position approaching 2016. Cash flow from operating activities amounted to SEK 803 M (601). The strong cash flow was mainly due to the favorable operating profit. The continued expansion during 2015 impacted working capital, negatively by SEK 57 M (-89), net. Inventories and current liabilities increased by SEK 300 M and SEK 59 M respectively, while current receivables decreased by SEK 184 M. The increase in inventories was largely explained by the appreciation of the USD against the SEK as well as business expansion. Net investments for the year totaled SEK 181 M (142) and total cash flow amounted to SEK 601 M (77) after dividend paid of SEK 22 M.

Investments

Investments in property, plant and equipment amounted to SEK 111 M (89), and in intangible assets to SEK 69 M (54). Net investments for the year according to the consolidated cash flow statement amounted to SEK 181 M (142).

Change of control clause

With the exception of the credit agreement relating to the credit facility of SEK 50 M, no significant agreements exist that the company is party to and which take effect, change or cease to be valid if control over the company changes as a consequence of a public takeover bid or agreements of such a nature that a disclosure would be likely to occasion serious harm to the company.

Long-term goals

Axis has two long-term financial goals:

- > total average annual sales growth of at least 20 percent and
- > a profit margin of at least 10 percent.

Corporate Governance

Axis has chosen to prepare a Corporate Governance Report, which is separate from the Administration Report.

Earnings and position

Sales during the year totaled SEK 6,635 M (5,450), which represented growth of 22 percent compared to the preceding year. Foreign currency effects impacted sales positively by SEK 899 M. The Video product area, which accounts for more than 99 percent of sales, increased by 21 percent from SEK 5,430 M to SEK 6,579 M while other sales increased to SEK 55 M. Gross margin fell slightly but essentially remained at the same level as the preceding year and amounted to 50.8 percent compared to 51.8 percent in 2014.

The group's operating profit amounted to SEK 881 M (715), which is an increase of SEK 167 M (23 percent) compared to the preceding year. Operating margin amounted to 13.3 percent compared to 13.1 percent in 2014. Foreign currency effects had a positive impact on operating profit of SEK 28 M. Profit before tax amounted to SEK 881 M (714), which represented an increase of SEK 167 M compared to the preceding year.

Condensed income statement

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOTAL 2015
Net sales, SEK M	1,354.3	1,616.3	1,905.7	1,758.4	6,634.7
Gross profit, SEK M	710.1	821.7	973.6	867.1	3,372.5
Gross margin, %	52.4	50.8	51.1	49.3	50.8
Operating profit, SEK M	144.8	116.5	388.7	231.2	881.2
Operating margin, %	10.7	7.2	20.4	13.1	13.3
Profit before tax, SEK M	144.5	116.2	388.7	231.1	880.5
Profit margin, %	10.7	7.2	20.4	13.1	13.3

Group key ratios

	2015	2014	2013	2012	2011
Net sales, SEK M	6,634.7	5,449.7	4,716.8	4,183.5	3,577.6
Profit before tax, SEK M	880.5	713.9	637.2	568.8	631.0
Total assets, SEK M	2,999.5	2,206.7	1,942.9	1,696.1	1,539.6
Equity ratio, %	58.1	49.7	48.2	47.7	49.9
Return on total assets, %	33.9	34.6	35.2	34.7	44.9
Return on equity, %	48.4	54.8	56.9	53.1	66.6
Earnings per share before dilution, SEK	9.39	7.76	6.89	6.15	6.56
Earnings per share after dilution, SEK	9.39	7.76	6.89	6.15	6.56
Shares before dilution, thousands (average)	69,461	69,461	69,461	69,461	69,461
Shares after dilution, thousands (average)	69,461	69,461	69,461	69,461	69,461
Number of employees at year-end	2,139	1,941	1,627	1,403	1,127

Definitions are presented in Note 29.

Proposed guidelines for determination of salaries and other remuneration to the President and other members of the company management

The board proposes the following principles for determination of salaries and other remuneration to the President and other members of the company management. The guidelines shall apply to employment contracts entered into according to the general meeting's resolutions and guidelines and in cases where changes are made to existing terms and conditions according to resolutions of general meetings. The guidelines essentially correspond to the principles that have been applied to date. For information regarding terms of remuneration for 2015, please refer to Note 18, Personnel.

Remuneration to the President and other members of the company management may consist of basic salary, variable remuneration and pension. The remuneration to nine persons in the group management also currently includes "stay on board" remuneration, which was agreed and introduced in accordance with the guidelines for remuneration adopted at the 2015 AGM. Other benefits and other remuneration shall be received on the same basis as for other employees. Persons who are resident outside of Sweden may be offered notice periods and termination benefits that are competitive in the country where the persons are or have been resident or to which they have a substantial connection, preferably solutions equivalent to what applies for managerial employees resident in Sweden.

The objective of Axis AB's remuneration policy for the senior executives shall be to offer compensation that promotes the retention and recruitment of skilled expertise to the company. The basic salary shall be determined on the basis that it should be competitive. The absolute level shall depend on the specific position and the individual's performance.

Variable remuneration (bonus) to the President and other senior executives shall be based on the financial goals of the group and shall be calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President shall be maximized at 240 percent of the annual salary and for the other senior executives, the highest individual bonus amount shall be maximized at 80 percent of the annual salary.

The retirement age for the President shall be 65. Pension insurance premiums shall amount to 35 percent of the pension-qualifying salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent shall be paid. The ITP agreement shall be applied for other senior executives, with a retirement age of 65.

In the event of termination of employment, a six-month mutual notice period shall apply for the President. In connection with termination of employment of the President by the company, termination benefits corresponding to up to twelve cash monthly salaries may be paid after the end of the notice period. In the event of termination by the President, no termination benefits shall be payable. A mutual notice period of three to six months shall apply between the company and the other senior executives. In connection with termination by the company, termination benefits corresponding to twelve cash monthly salaries can be paid. In the event of termination by any of the senior executives, no termination benefits shall be payable.

Deviations from the principles described above may be approved by the board of directors, if there are specific reasons in individual cases. Prior to the AGM 2015, two deviations were made from the principles adopted by the AGM 2014, whereby i) termination benefits offered to the members of the company management other than the President were adjusted to correspond to 12 monthly salaries, and ii) a "stay on board" remuneration corresponding to three monthly salaries, conditional on continued employment in the company on June 30, 2015, was introduced for the then members of the management team. The adjustment of termination benefits was made in order to ensure market-related compensation to the management team. This was deemed particularly necessary due to the then outstanding public offer for the company made by Canon Inc. The "stay on board" remuneration was introduced for the same reason, whereby specific reasons existed for the deviations. The deviation concerning termination benefits complies with the principles subsequently adopted by the Annual General Meeting on 15 June 2015.

Material risks and uncertainties

Axis is an international group with operations and customers all over the world and is thus exposed to a number of different risks in its everyday operations. The risk management at Axis aims to minimize the risks but also to ensure that opportunities are utilized in the best way in order to facilitate a continued rapid expansion of the operations.

Axis' risks can be principally divided into external risk, business risk and financial risk. The work of managing and adapting to the risk exposure that the group is subject to continues on an ongoing basis.

- > External risk is primarily handled at a group management and board level.
- > Business risk is mainly handled at a group management and regional manager level.
- > Management and coordination of financial and insurable risks is mainly carried out by the group's finance department.
- > Function-specific risks in the company-wide functions, Finance, IT/systems, HR and Operations are handled and coordinated within each function. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisors.
- > The exposure to intellectual property risk in the patents area is managed by Axis' specialists, in collaboration with external lawyers and advisors. To date, a few disputes concerning patent infringement have arisen, however, these have not had any material consequences for Axis.

The risks described below are not ranked in relation to one another and the account does not claim to be complete.

External risk

Axis is impacted by global macroeconomic trends, like most multinational companies. Although the global economy recovered during 2015, macroeconomic challenges remain in several of the regions where Axis conducts operations. A weak economy indirectly affects customers' willingness to invest, investment capability and financing possibilities. Axis works on the basis of detailed monthly sales forecasts and carefully monitors global trends in order to take necessary measures if conditions should change.

Terrorism and political turbulence in many countries can naturally have an adverse impact on Axis' global expansion. During 2015, the sales trend was primarily affected by the performance in Eastern Europe and the Middle

East. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues which may arise in this context. Globally, Axis encounters everything from a very positive attitude to a more sceptical view of camera surveillance. There are no currently known plans for significant changes with regard to legal regulations or restrictions. As market leader, Axis continually strives to communicate the benefits of a safer and more secure environment with network video as a natural component.

Business risk

The market Axis targets is largely driven by a technology shift from older analog surveillance equipment to modern network technology solutions. Axis is a dominant player in the global network video market and is expanding strongly. The expansion plans are based on strategic assumptions and forecasts about the market trend. In the event that the technology shift proceeds at a slower rate than expected, it may give competitors the opportunity to strengthen their market positions. Axis' strategy is to maintain the pace of the technology shift by continually training customers and system integrators in the benefits of network video, and thereby increase understanding of the new technology. The training mainly takes place within Axis' various partner programs and in the form of Axis Communications' Academy.

Trust in and acceptance of new technology and applications in a high-tech market is strongly dependent on well-functioning products and solutions, which deliver high quality and performance. Axis' research and development department works continually to develop new high-tech products. The majority of Axis' products are built on the proprietary network and image compression chip, ARTPEC®. ARTPEC® is optimized and adapted for products and applications within network video, which gives Axis a distinct advantage over other players in the market. Quality is ensured through a well-defined quality and testing process as well as through skilled and careful subcontractors. In order to minimize risks in the supply chain, from supply of components to delivery, Axis works with a number of subcontractors that are equally important from a competency and capacity perspective.

The growing network video market is attracting more and more players, which is leading to increased competition. Most of the companies that were previously active within analog camera surveillance today also have product offers in network technology. Market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development. The group finance function continually monitors days sales outstanding and payment behavior etc. in all regions. Credit risks from operating flows are handled at a regional level. The group's credit policy establishes the framework for how credit risks and credit exposure should be handled.

Financial risk

The group's international operations involve a number of financial risks which are handled according to the policies adopted by the board. The overriding goal of the group's finance function is to provide financing to group companies on an ongoing basis and handle financial risks so that potential negative effects on the group's results are minimized. The group is primarily exposed to financing, foreign exchange and credit risk. Interest risk is assessed as being limited. For further information refer to Note 2 to the financial statements.

Intellectual property risk

Axis is party to various disputes as part of its normal business operations, including in the patent field. These types of disputes can be costly and protracted. In addition, it is often difficult to predict the outcome of complex lawsuits. The exposure to intellectual property risk in the patents area is managed by Axis' specialists, in collaboration with external lawyers and advisors. To date, a few disputes concerning patent infringement have arisen, however, these have not had any material consequences for Axis.

Outlook

The market activity and the inflow of new projects means that Axis' view on the current market growth rate remains unchanged. An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to expand globally.

Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales to group companies totaled SEK 108 M (100). Purchasing from group companies has not taken place. The parent company's profit after financial items totaled SEK -5 M (55).

Proposed appropriation of profits in the Parent Company

At the disposal of the annual general meeting:

Accumulated profit and other non-restricted reserves	SEK 401,171,819
Net profit for the year	SEK 474,714,541
TOTAL	SEK 875,886,360

The board of directors and the President propose that the profits at the disposal of the annual general meeting be appropriated as follows:

to be carried forward	SEK 875,886,360
TOTAL	SEK 875,886,360

Axis' majority owner Canon Inc has informed the company's board of directors that Canon Inc at the Annual General Meeting (AGM) 2016 will vote that no dividend should be distributed to the shareholders. In light of this information, Axis' board and President have decided not to propose any dividend at the AGM 2016 and that the profits at the disposal of the AGM should be carried forward.

Consolidated statement of comprehensive income

	Note	2015	2014
Net sales	3	6,634.7	5,449.7
Cost of goods and services sold		-3,262.2	-2,627.7
Gross profit		3,372.5	2,822.0
Other income and changes in value	7	-32.6	-1.6
Selling and marketing expenses		-1,180.8	-1,019.6
Administrative expenses		-292.2	-226.7
Research and development expenses		-985.7	-858.7
Operating profit	4, 5, 6	881.2	715.4
Financial income		0.4	1.7
Financial expenses		-1.1	-3.2
Financial income and expense – net		-0.7	-1.5
Profit before tax		880.5	713.9
Taxes	9	-228.4	-174.6
NET PROFIT FOR THE YEAR		652.1	539.3
Other comprehensive income*			
Items that later may be transferred to the income statement			
Exchange differences		13.8	2.9
Other comprehensive income for the year, net after tax		13.8	2.9
Total comprehensive income for the year		665.9	542.2
Net profit for the year attributable to:			
The parent company's shareholders		652.1	539.3
Total comprehensive income attributable to:			
The parent company's shareholders		665.9	542.2
Earnings per share before dilution, SEK	10	9.39	7.76
Earnings per share after dilution, SEK		9.39	7.76
Number of shares before dilution, average, thousands		69,461	69,461
Number of shares after dilution, average, thousands		69,461	69,461

* The items in other comprehensive income above are recognized net after tax. Disclosure is provided in Note 9 of the tax that is attributable to each component in other comprehensive income.

Consolidated balance sheet

ASSETS	Note	Dec 31, 2015	Dec 31, 2014
Non-current assets			
Property, plant and equipment	4	184.2	142.4
Intangible assets	4	225.6	192.1
Other financial assets	14	4.3	3.8
Total non-current assets		414.1	338.3
Current assets			
Inventories	12	1,022.2	722.3
Trade receivables and other receivables	13	547.4	731.5
Cash and cash equivalents	15	1,015.8	414.6
Total current assets		2,585.4	1,868.4
TOTAL ASSETS		2,999.5	2,206.7
EQUITY & LIABILITIES	Note	Dec 31, 2015	Dec 31, 2014
Equity			
<i>Capital and reserves</i>			
Share capital		0.7	0.7
Other paid-up capital		279.2	279.2
Other reserves	17	-1.8	-15.6
Retained earnings		1,463.4	832.8
Total equity		1,741.5	1,097.1
Liabilities			
<i>Non-current liabilities</i>			
Retirement benefit obligations	18	3.7	4.4
Deferred tax liabilities	11	178.5	133.1
Other provisions	19	61.2	49.9
Total non-current liabilities		243.4	187.4
<i>Current liabilities</i>			
Trade payables and other liabilities	20	993.0	892.2
Current tax liabilities		21.6	30.0
Total current liabilities		1,014.6	922.2
Total liabilities		1,258.0	1,109.6
TOTAL EQUITY AND LIABILITIES		2,999.5	2,206.7
MEMORANDUM ITEMS			
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	25	6.0	6.0

Consolidated statement of changes in equity

	Attributable to the parent company's shareholders				Total equity
	Share capital	Other paid-up capital	Other reserves	Retained earnings	
Opening balance at January 1, 2014	0.7	279.2	-18.5	675.5	936.9
Comprehensive income					
Net profit for the year	-	-	-	539.3	539.3
Other comprehensive income					
Exchange differences	-	-	2.9	-	2.9
Total other comprehensive income	-	-	2.9	-	2.9
Total comprehensive income	-	-	2.9	539.3	542.2
Transactions with owners					
Dividend	-	-	-	-382.0	-382.0
Total transactions with owners	-	-	-	-382.0	-382.0
Closing balance at December 31, 2014	0.7	279.2	-15.6	832.8	1,097.1
Opening balance at January 1, 2015	0.7	279.2	-15.6	832.8	1,097.1
Comprehensive income					
Net profit for the year	-	-	-	652.1	652.1
Other comprehensive income					
Exchange differences	-	-	13.8	-	13.8
Total other comprehensive income	-	-	13.8	-	13.8
Total comprehensive income	-	-	13.8	652.1	665.9
Transactions with owners					
Dividend	-	-	-	-21.5	-21.5
Total transactions with owners	-	-	-	-21.5	-21.5
Closing balance at December 31, 2015	0.7	279.2	-1.8	1,463.4	1,741.5

Consolidated cash flow statement

	Note	2015	2014
<i>Operating activities</i>			
Cash flow from operations	26	995.4	705.7
Interest paid		-1.1	-3.2
Interest received		0.4	1.8
Taxes paid		-191.5	-103.8
Cash flow from operating activities		803.2	600.5
<i>Investing activities</i>			
Purchase of property, plant and equipment	4	-111.0	-89.4
Purchase of intangible assets	4	-69.0	-54.1
Other		-0.5	1.9
Cash flow from investing activities		-180.5	-141.6
<i>Financing activities</i>			
Dividend paid		-21.5	-382.0
Cash flow from financing activities		-21.5	-382.0
Cash flow for the year		601.2	76.9
Cash and cash equivalents at the beginning of the year		414.6	337.7
Change in cash and cash equivalents		601.2	76.9
Cash and cash equivalents at the end of the year	15	1,015.8	414.6

Parent company income statement

	Note	2015	2014
Net sales		108.3	100.5
Gross profit		108.3	100.5
Administrative expenses		-110.2	-43.0
Operating profit	4	-1.9	57.5
Financial income	21	0.5	34.9
Financial expenses	22	-3.2	-37.7
Financial income and expense – net		-2.7	-2.8
Profit/loss after financial items		-4.6	54.7
Appropriations	23	614.4	478.9
Profit before tax		609.8	533.6
Taxes	9	-135.1	-111.8
Net profit for the year		474.7	421.8

Parent company statement of comprehensive income

	Note	2015	2014
Net profit for the year		474.7	421.8
Total comprehensive income for the year		474.7	421.8

Parent company balance sheet

	Note	Dec 31, 2015	Dec 31, 2014
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents	4	4.7	7.1
Total intangible assets		4.7	7.1
<i>Financial assets</i>			
Participations in subsidiaries	24	0.8	0.8
Total financial assets		0.8	0.8
Total non-current assets		5.5	7.9
Current assets			
<i>Receivables</i>			
Receivables from group companies		1,168.8	984.5
Prepaid expenses and accrued income		2.3	1.8
Total receivables		1,171.1	986.3
<i>Cash and bank balances</i>			
Cash and bank balances	15	578.2	113.6
Total cash and bank balances		578.2	113.6
Total current assets		1,749.3	1,099.9
Total assets		1,754.8	1,107.8
EQUITY & LIABILITIES			
Equity	16		
<i>Restricted equity</i>			
Share capital		0.7	0.7
Total restricted equity		0.7	0.7
<i>Non-restricted equity</i>			
Accumulated profit		401.2	0.9
Net profit for the year		474.7	421.8
Total non-restricted equity		875.9	422.7
Total equity		876.6	423.4
Untaxed reserves			
Tax allocation reserve		838.8	634.1
Accumulated additional depreciation		4.7	3.8
Total untaxed reserves		843.5	637.9
Liabilities			
<i>Current liabilities</i>			
Liabilities to group companies		1.0	0.9
Tax liabilities		23.6	35.2
Other liabilities		5.0	5.5
Accrued expenses and deferred income		5.1	4.9
Total current liabilities		34.7	46.5
Total liabilities		34.7	46.5
Total equity and liabilities		1,754.8	1,107.8
MEMORANDUM ITEMS			
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	25	27.4	28.5

Parent company statement of changes in equity

	Share capital	Share premium reserve	Accumulated profit	Net profit for the year	Total equity
Equity at December 31, 2013	0.7	4.1	72.9	305.9	383.6
Reversal of net profit for the year	-	-	305.9	-305.9	-
Dividend	-	-	-382.0	-	-382.0
Net profit for the year	-	-	-	421.8	421.8
Equity, December 31, 2014	0.7	4.1	-3.2	421.8	423.4
Reversal of net profit for the year	-	-	421.8	-421.8	-
Dividend	-	-	-21.5	-	-21.5
Net profit for the year	-	-	-	474.7	474.7
Equity, December 31, 2015	0.7	4.1	397.1	474.7	876.6

Number of shares at December 31, 2015 totaled 69,461,250. The quota value was SEK 0.01 per share.

At the Annual General Meeting on April 13, 2016, the Board of Directors will propose that no dividend should be paid in respect of the 2015 fiscal year. During 2015, SEK 0.31 per share was paid in respect of the fiscal year 2014.

Parent company cash flow statement

	Note	2015	2014
<i>Operating activities</i>			
Cash flow from operations	26	-0.3	66.1
Financial expenses paid		-3.2	-37.8
Financial income received		0.5	2.0
Taxes paid		-146.7	-61.5
Cash flow from operating activities		-149.7	-31.2
<i>Financing activities</i>			
Dividend paid		-21.5	-382.0
Group contributions received	23	820.2	606.5
Group contributions paid	23	-0.2	-0.2
Change in current receivables/liabilities, group companies		-184.2	-202.0
Cash flow from financing activities		614.3	22.3
Cash flow for the year		464.6	-8.9
Cash and cash equivalents at the beginning of the year		113.6	122.5
Change in cash and cash equivalents		464.6	-8.9
Cash and cash equivalents at the end of the year		578.2	113.6

Notes

Note 1 Accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, and also in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1. The most important accounting policies applied when these consolidated financial statements were prepared are presented below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Areas which involve a high degree of judgment, which are complex or are areas where assumptions and estimates are of considerable significance for the consolidated financial statements, are specified where appropriate in the relevant note.

The financial statements of the parent company have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

1.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the group as of January 1, 2015

No new or amended standards and interpretations are expected to have a material impact on the group's financial statements.

(b) New and amended standards adopted by the parent company as of January 1, 2015

No new or amended standards are expected to have a material impact on the parent company's financial statements.

(c) New standards and interpretations that will be adopted by the group from January 1, 2016 and subsequently

IFRS 9 "Financial Instruments" replaces the parts of IAS 39 dealing with classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies this model in certain respects. There will be three measurement categories for financial assets; amortized cost, fair value through comprehensive income and fair value through profit or loss. How an instrument should be classified depends on the entity's business model and the contractual cash flow characteristics of the instrument. Investments in debt instruments are measured at amortised cost if: a) the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows and b) the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. All other debt and equity instruments, including investments in complex instruments, should be recognized at fair value. All fair value changes in financial assets are recognized through profit or loss, with the exception of investments in equity instruments not held for trading, for which there is an option to recognize fair value changes in other comprehensive income. No reclassification to profit and loss will then occur in connection with disposal of the instrument. For financial liabilities measured at fair value, entities should recognize the extent of the change in value due to changes in own credit risk in other comprehensive income. The new hedge accounting rules in IFRS 9 give entities a better possibility of reflecting the risk management strategies applied. Generally speaking, it will be easier to qualify for hedge accounting. The new standard increases the disclosure requirements and introduces certain changes in presentation. IFRS 9 also introduces a new model for measurement of credit loss provisions that is based on expected credit losses. The new model for impairment losses contains a three step model based on changes in the credit quality of the financial assets. The various steps determine how an entity should measure and recognize impairment losses and how they should apply the effective interest method. For financial assets without a significant financing component such as ordinary trade and lease receivables, a simplified approach is introduced, which means that the entity can measure a loss allowance at initial recognition for the entire lifetime of the receivable and thus does not have to identify when a significant deterioration in creditworthiness occurred. The standard will be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The group has still not evaluated the effects of introducing the standard.

IFRS 15 "Revenue from Contracts with Customers" is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and all the related interpretations (IFRIC and SIC). Revenue is recognized when the customer obtains control over the sold goods or services, a principle that replaces the previous principle that revenue is recognized when the risks and rewards have been transferred to the purchaser. The core principle in IFRS 15 is that an entity recognizes revenue in the manner that best reflects the transfer of the promised goods or services to the customer. This recognition occurs using a five-step model framework;

- Step 1: identify the contract with the customer
- Step 2: identify the performance obligations in the contract
- Step 3: determine the transaction price
- Step 4: allocate the transaction price to the performance obligations in the contract
- Step 5: recognise revenue when (or as) the entity satisfies a performance obligation.

The biggest changes compared to today's rules are:

- > Distinctive goods or services in integrated contracts must be recognized as separate obligations and any discounts as a general rule should be allocated to the separate entities.
- > If the transaction price includes variable consideration (e.g. performance bonuses, discounts, royalties, etc.), revenue can be recognized earlier than under the current rules. Variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future.
- > The timing of when revenue should be recognized can vary: some revenue, which today is recognized when a contract is concluded may have to be recognized over the contract period or vice versa.
- > There are new specific rules for licenses, warranties, advance payments that are not refundable and consignment contracts, among other things.
- > The standard also gives rise to increased disclosure requirements.

The standard will be applied for annual periods beginning on or after January 1, 2018. An entity can choose either a full retrospective approach or a modified retrospective approach with further disclosures (prospective application). The group has still not fully evaluated the effects of introducing this standard.

IFRS 16 "Leases" is a new lease standard that was issued in January 2016. It will replace IAS 17 Leases, and related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities related to all leases, with a few exceptions, are recognized in the balance sheet. This recognition is based on the approach that the lessee has a right to use an asset for a specified period of time while it has an obligation to pay for this right. Recognition for the lessee will be essentially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The EU has still not adopted the standard. The introduction of IFRS 16 will have an effect on Axis' consolidated financial statements but to what extent has still not been evaluated.

None of the other IFRS or IFRIC interpretations which have not yet become effective, are expected to have any material impact on the group.

1.2 Consolidation

Subsidiaries are all companies (including structured entities) over which the group has control. The group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and has the possibility to affect the return through its influence in the entity. Subsidiaries are to be included in the consolidated financial statements from and including the date on which control is transferred to the group. They are deconsolidated from and including the date on which that control ceases.

The purchase method is used for recognition of business combinations. The cost of an acquisition of a subsidiary consists of the fair value of the assumed assets, liabilities and the shares issued by the group. The consideration also includes the fair value of all assets or liabilities which are a result

of an agreement on contingent consideration. Costs related to the acquisition are expensed as they arise. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition. For each acquisition, Axis determines if all non-controlling interests in the acquired entity are recognized at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount by which the consideration, any non-controlling interest and the fair value of previous shareholdings on the date of acquisition exceeds the fair value of the identifiable net assets acquired, is recognized as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of a "bargain purchase", the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions and balance sheet items, as well as unrealized gains and losses on transactions between group companies, are eliminated. Where appropriate, the accounting policies of subsidiaries have been changed to ensure the consistent application of the group's principles

In the event of different measurements of assets and liabilities at group and company level, the tax effect is taken into account, and this is recognized as a long-term receivable or liability. No account, however, is taken of deferred tax on group goodwill.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the group, this function has been identified as the group management.

1.4 Foreign currency translation

Items included in the financial statements of subsidiaries in the group are measured in the functional currency. The consolidated financial statements are presented in Swedish krona (SEK), which is the group's presentation currency.

Subsidiaries' assets and liabilities are translated at the closing rate at the end of each reporting period. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rates. The translation difference is recognized in other comprehensive income.

During consolidation, exchange differences, which arose in consequence of the translation of net investment in foreign operations and of borrowings and other currency instruments which have been designated as hedges of such investments, are recognized in other comprehensive income. On divestment of a foreign operation, in part or entirely, the exchange differences recognized in equity are posted to the income statement and recognized as a part of the capital gain/loss.

When the parent company or other group company carries out hedging measures to offset and protect against exchange differences on net investment in a subsidiary, the exchange difference on the hedging instrument is recognized against the equivalent translation difference for the subsidiary.

The group's exchange gains and losses are recognized in the operating profit.

1.5 Inventories

Goods for resale are valued at the lower of cost and the net realizable value (realizable value less estimated selling expenses) on the closing date using the FIFO principle. Internal profits on sales between group companies are eliminated.

1.6 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If payment is expected within one year or earlier, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest method, less any provision for impairment.

Axis applies net accounting of trade receivables in cases where Axis' counterparty in turn has claims on Axis in the form of accrued discounts connected to purchasing

from Axis. Trade receivables are also recognized net against any trade payables to Axis' counterparty.

1.7 Property, plant and equipment

Property, plant and equipment is recognized at historical cost less accumulated depreciation using the straight-line method. Historical cost includes expenditure which can be directly attributable to the acquisition of the asset. In the event that the carrying amount of an asset exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

Depreciation is calculated using the straight-line method on the original cost and is based on the estimated useful lives of the assets as follows:

Plant and equipment	3–10 years
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1.8 Intangible assets

(a) Capitalized development work

Axis' technology is based on the proprietary ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. Research expenditure aimed at obtaining new technological knowledge is expensed as it arises. Development expenditure, where research results or other knowledge is applied in order to produce new or enhanced products, is recognized as an intangible asset if it is likely to generate sufficient future economic benefits for the group. In order to be capitalized, the intangible assets must be technical and commercially applicable and the group must have the resources to complete development and subsequently use or sell the intangible asset. It must also be possible to reliably measure the expenditure during the development phase. The development of new platforms is capitalized continuously over the development period. Network applications based on created platforms, such as network cameras, are treated as adaptations of the core products. Adaptations of platforms for different network applications are not capitalized. Development expenses that are recognized in the balance sheet are carried at cost less accumulated amortization. The carrying amount includes directly related expenditure such as for material and services and remuneration to employees.

(b) Rights and patents

Own patents are not-capitalized but are charged to results when they arise. Acquired patents have a determinable useful life and are therefore recognized at cost less accumulated amortization.

Amortization of intangible assets is recognised on a straight-line basis over the estimated useful lives, provided the useful lives are not indeterminable. Axis has no intangible assets with indefinite useful lives. The estimated useful lives are calculated as follows:

Capitalized development work	3 years
Patent portfolio	7 years

Amortization begins when the asset is ready for use.

1.9 Impairment of non-financial assets

Assets which are impaired are assessed in respect of the reduction in value whenever events or changes in circumstances indicate that the carrying value may not actually be recoverable. An impairment loss is recognized of the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Capitalized development work is tested annually in respect of an impairment need before it is ready for use.

1.10 Cash and cash equivalents

Cash and cash equivalents include, in the balance sheet and in the cash flow statement, cash in hand, deposits held at call with banks and other current investments with original maturities of three months or less. Measurement of other investments in securities takes place at amortized cost.

1.11 Financial instruments

Financial instruments are classified into the following categories: financial assets measured at fair value via profit or loss, loans and receivables, as well as financial

instruments which are available for sale. The classification is dependent on the aim for which the instrument was acquired. Management determines the classification of instruments on the initial accounting date, and reviews this decision at every reporting date. All financial instruments are recognized from the transaction date.

(a) Financial assets measured at fair value via profit or loss (in the item Other income and changes in value)

Financial assets which are held for trading are carried at fair value via profit or loss. A financial asset is to be classified in this category if it was acquired principally for the purpose of selling in the short-term or if this classification is determined by the management.

(b) Loans and receivables

Loans receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Characteristically, they arise when the group supplies money, goods or services direct to a customer without the intention of trading the resulting receivable. They are included in current assets, with the exception of items with maturities more than 12 months after the end of the reporting date, which are classified as non-current assets. Loans receivables and trade receivables are included in the item Trade receivables and other receivables in the balance sheet (see note 13 Trade receivables and other receivables).

At the end of each reporting period, the group assesses whether there is objective evidence that an impairment need exists in respect of a financial asset or a group of financial assets. Where such an impairment need has been identified, the asset is impaired to its fair value.

1.12 Provisions

Provisions for obligations, such as legal requirements and product warranties, are recognized when the group has an existing legal or constructive obligation in consequence of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If there are a number of similar obligations, the probability that an outflow of resources will be required for the settlement of this group as a whole is assessed. A provision is recognized even if the probability of an outflow in respect of one specific item in this group of obligations is low.

The provisions are measured at the present value of the amount that is expected to be required to settle the obligation.

1.13 Income taxes

Recognized tax expense includes tax payable or recoverable in respect of the current year, adjusted for prior years' tax as well as changes in deferred tax. All tax liabilities and tax assets are measured at their nominal amount in accordance with the tax laws and the tax rates enacted or announced and which there is a considerable degree of certainty will be enacted. For items recognized in the income statement, the associated tax consequences are recognized in the income statement. The tax consequences of items which are recognized directly against equity are recognized against equity. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities.

Deferred tax assets or deferred tax liabilities to the same tax authority are recognized net in the balance sheet. Deferred tax assets in respect of a loss carryforward are recognized to the extent that it is probable that the loss carryforward can be set off against a surplus for future taxation.

Untaxed reserves are recognized in the parent company. Untaxed reserves are allocated between equity and deferred tax in the consolidated financial statements.

1.14 Cash flow statement

The consolidated cash flow statement has been prepared in accordance with IAS 7, Statement of Cash Flows, using the indirect method. Changes for the year in cash and cash equivalents are divided up into operating activities, investing activities and financing activities. The starting point for the indirect method is the operating profit or loss adjusted for transactions which do not involve receipts or disbursements. The term cash and cash equivalents refers to cash in hand, deposits held at call with banks and

other short-term highly liquid investments with original maturities of three months or less. All items included in cash and cash equivalents can be readily converted to cash.

1.15 Leasing

Leases where a substantial part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Axis Group mainly holds lease agreements for rent for premises. Payments made during the lease term are expensed in the income statement on a straight-line basis over the period of the lease. For further information about minimum lease payments refer to Note 8.

1.16 Revenue recognition

Revenue is recognized when the goods are delivered and accepted by the customer, i.e. when the material risks and benefits are transferred to the purchaser. Revenue is shown exclusive of value added tax, similar taxes and discounts and after eliminating sales within the group.

The recognition of interest income is allocated over the term in question using the effective interest method.

1.17 Borrowing costs

All borrowing costs, apart from those related to a qualifying asset, are expensed continually as they arise. Borrowing related to qualifying assets is capitalized.

1.18 Pensions

The group operates both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate legal entity. The group has no legal or constructive obligations to pay further contributions if this legal entity has insufficient assets to pay all remuneration to employees that is connected with the employees' service during current or prior periods. A defined benefit plan is a pension scheme that is not defined contribution. Characteristic for defined benefit plans is that they state the amount of the pension benefit an employee will receive after retirement, generally based on one or more factors such as age, period of service and salary.

For defined contribution plans, the group pays contributions to public or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in the period in which they are earned.

Defined benefit pension plans in the group consist of the ITP 2 plan's defined benefit obligations for retirement and family pension. The ITP 2 plan is secured through insurance with Alecta. According to statement UFR 10 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, Recognition of the ITP 2 pension plan, which is financed through insurance with Alecta, this is a multi-employer defined-benefit plan. For the fiscal year 2015, the company did not have access to the information required to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to report it as a defined benefit plan. The ITP 2 pension plan is therefore recognized as a defined contribution plan.

1.19 Critical estimates and assessments for accounting purposes

Warranties

The group generally offers a three-year warranty on its network products. The management makes an estimate of the provision required for future warranty requirements based on information regarding historical warranty requirements. The provision also includes products with warranty periods shorter than three years.

Intangible assets

Axis' management makes the assessment that the necessary technological knowledge and financial strength exists in order to complete the capitalized intangible assets into marketable products. The market for the future products is expected to be the same as where Axis' products are sold today.

Accrued discounts

Axis' sales model contains a discount element which is adjusted after delivery. The scale of the discounts depends on a number of factors, including volume and what type of partner the distributor sells the products to. The management makes an estimate of the provision required for accrued discounts based on information regarding historical discount levels and expected outcomes.

Note 2 Financial risk management

2.1 Financial risk factors

Risk management is handled by a central treasury department in accordance with the policies adopted by the board of directors. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board has drawn up written principles both for overall risk management and for specific areas, such as foreign exchange risk, interest risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of excess liquidity.

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including foreign exchange risk, price risk and interest risk), b) credit risk and c) liquidity risk). The group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Axis' finance policy defines how foreign exchange risk should be minimized. Foreign exchange risk is divided into two main categories: a) Transaction risk and b) Translation risk.

Transaction risk means the risk that fluctuations in exchange rates on the net cash flow in foreign currencies may have a negative impact on the group's results. Translation risk means the risk that exchange rate fluctuations in the group's net investments in subsidiaries may have a negative impact on the group's results.

From January 1, 2010 the finance policy does not prescribe any hedging requirement. No hedging was conducted during 2015 (2014). Historic exchange rate flows are followed up monthly in arrears.

Price risk arises when the group's costs rise as a result of our suppliers increasing the price of goods and services. By using several suppliers, we ensure that our purchasing prices are market competitive.

The board has defined interest risk as the risk that fluctuations in market interest rates have a negative impact on the group's net financial items. The finance policy states that the treasury department must minimize the interest expense as much as possible. The average interest rate refixing period for short-term financing must not exceed 6 months. Under the financial policy, the treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a maximum of 6 months. At the end of 2015, the group had short-term interest-bearing liabilities of SEK 0 M (2014: 0).

Excess cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of one year, and an average term of no more than 6 months. At December 31, 2015, SEK 0 M (2014: 50) was invested in fixed-interest securities. The interest risk in the excess cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months.

Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for the fiscal year 2015. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and payroll expenses. As a substantial part of sales and purchasing are made in USD, Axis has a natural match for currency exposure in USD.

Factor	Change, %	Effect on operating profit, SEK M
Currency, SEK/USD	+/- 5	+/- 55
Currency, SEK/EUR	+/- 5	+/- 45
Purchasing	+/- 5	+/- 121
Personnel	+/- 5	+/- 83

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed

transactions. Only independently rated banks and financial institutions that have obtained the long-term rating A or better, in accordance with Moody's or Standard & Poor's, are accepted as counterparties. The short-term rating must be Moody's P1 or Standard & Poor's K1 or A1. If customers have been credit assessed by independent raters, these assessments are used. In cases where no credit assessment exists, a risk assessment is performed of the customer's creditworthiness where their financial position is considered as well as previous experience and other factors. Individual risk limits are adopted on the basis of internal or external credit assessments in accordance with the limits established by the board. The use of credit limits is regularly monitored. Advance payments or letters of credit are employed when the credit risk is considered too high. During 2015, credit risk insurance was taken out for some of our customers. These insurance policies were not utilized.

For risk assessment of trade receivable see the age distributed accounts receivable ledger in note 13.

(c) Liquidity risk

The group's liquidity position is continuously analyzed in order to minimize liquidity risk. The finance policy states that the treasury department must ensure that the group always has credit facilities with at least one bank. According to this policy, Axis must have access at all times to SEK 200 M in cash and cash equivalents or unutilized credit facilities. At December 31, 2015, Axis had SEK 1,016 M (2014: 415) in cash and cash equivalents and unutilized credit facilities of SEK 50 M (2014: 1,000). The facilities were reduced during 2015 from SEK 1,000 M to SEK 50 M. The credit facilities are effective until December 31, 2017.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio, expressed as EBITDA/Financial Net Payable, (profit before net financial items, taxes, depreciation and impairment losses on non-current assets in relation to financial net expenditure) measured every end of quarter as a rolling twelve-month value does not fall below 4; b) Net Debt/EBITDA (interest bearing liabilities less cash and bank balances and other investments in securities in relation to profit before net financial items, taxes, depreciation and impairments of non-current assets) measured every end of quarter as a rolling twelve-month value does not exceed 3.

For details regarding the group's and the parent company's liquidity trend refer to the cash flow statement for the group and the parent company.

2.2 Recognition of derivative instruments and hedging measures

When Axis holds derivative financial instruments, primarily currency futures, it is with the aim of protecting sales and procurement in foreign currency, as well as net assets in foreign subsidiaries. Axis applies hedge accounting.

When the transaction is entered into, Axis documents the relationship between the hedging instrument and the hedged item, along with the objective of the risk management and the strategy for taking other hedging action. The group also documents its assessment, both when the hedge instrument is taken out and during its term, of the effectiveness of the derivative instrument used in hedging transactions in the evening out of fluctuations in the fair value or cash flow of hedged items. Should a hedging measure prove ineffective, recognition immediately takes place via profit or loss (Other income and changes in value). Changes in the hedging reserve in equity are shown in Note 17.

(a) Fair value hedge

At December 31, 2015, (2014) Axis had no derivative instruments that were used for fair value hedges.

(b) Cash flow hedge

At December 31, 2015 (2014), Axis had no derivative instruments that were used for cash flow hedges.

(c) Hedges of a net investment in a foreign operation

From fiscal year 2010, Axis has amended the finance policy to not hedge net investments in foreign subsidiaries. The outcome of previously entered into hedges remains in equity. Accumulated gains and losses in equity are recognized in the income statement when the foreign operation is sold.

2.3 Fair value measurement

The fair value of financial instruments which are traded on an active market, such as derivative instruments quoted on a market, is based on quoted market prices at the end of the reporting period. The quoted market price for Axis' financial assets, is the current purchase price while the quoted market price for the financial liabilities is the current selling price.

The fair value of financial instruments which are not traded on an active market is determined using valuation techniques. Axis uses a number of different methods, and makes assumptions based on the prevailing market conditions at the end of the reporting period. Other techniques, such as discounted cash flow measurements, are used to determine the fair value of the remaining financial instruments. The fair value of currency future contracts is determined through the use of market prices for currency futures at the end of the reporting period.

The nominal value, reduced by any expected credits, of trade receivables and trade payables is assumed to equal their fair value. The fair value of financial liabilities is measured by discounting the future contracted cash flow at the current market interest rate available for the group for similar financial instruments.

At the end of 2015 (2014), Axis had no financial instruments of the type that must be disclosed based on the fair value hierarchy in IFRS 7.

2.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the group may adjust the amount of dividends paid to the shareholders, issue new shares or sell assets, reduce or increase indebtedness.

Since 2007, Axis holds a AAA rating according to Dun & Bradstreet.

Note 3 Segment information

The group management has been identified as Axis' chief operating decision-maker. Operating segments have been determined based on the information that is considered by the group management and which is used as a basis for allocating resources and evaluating results. Axis' group management controls, manages and monitors the operations according to three geographical regions; EMEA, North and South America and Asia, with sales growth as the main focus. In light of what is stated below, Axis considers that it fulfills the requirements for aggregation of the three geographic regions into one segment, Network video.

The group's common technology platform is the foundation for the entire innovative and broad product portfolio. Continuous global sales forecasts are compiled by a separate production planning function located at the headquarters in Lund. A central purchasing department is responsible for sourcing of critical components and procurement and placing of production among contract manufacturers around the world. The very close cooperation with contract manufacturers creates a good insight into manufacturing and quality assurance processes. Production takes place in essentially the same way at all manufacturers.

Axis has an indirect sales model, which means that sales take place via distributors that sell on to system integrators that in turn sell to the end users. The ambition is first to work with a small number of distributors in each country, and then achieve scalability in the second stage through a very large number of system integrators. The number of system integrators currently identified by Axis amounts to 80,000 globally. The sales model is identical and is applied in the same way throughout the world. Sales are monitored and analyzed in a company-wide CRM system. Distribution occurs through a small number of logistics centers placed in logistically suitable locations around the world.

Legal requirements in the form of local rules and regulations exist but are not deemed to impact the group appreciably. Stricter legal requirements from public authorities in specific areas can imply new business opportunities and may sometimes also limit the possibility of operating in the local market concerned. Through a central development department it is possible, when required, to rapidly adapt specific products to new demands.

Through a uniform global approach regarding product development and sales model, the three geographical regions lack real significance. From a group and network video perspective, they have a similar economic basis. The network video market is driven by an underlying global technology shift from analog to digital technology, among other things. Nor do growth opportunities and risks differ significantly between the three segments.

In light of the above reasoning, Axis only recognizes one segment. Accordingly, the segment information consists of the group as a whole.

Net sales per geographical market	2015	2014
EMEA (Europe, Middle East, Africa)	2,366.3	1,999.2
Americas	3,489.7	2,742.7
Asia	778.7	707.8
Total	6,634.7	5,449.7
Revenues per country	2015	2014
Sweden	0.0	0.0
USA	3,213.5	2,474.2
Other countries	3,421.2	2,975.5
Total	6,634.7	5,449.7

Revenues have been allocated per country based on where the customers are located.

Non-current assets by country	2015	2014
Sweden	359.1	293.1
Other countries	50.7	41.4
Total	409.8	334.5

Note 4 Property, plant and equipment and intangible assets

Group	Equipment and fittings	Improvement measures in leased properties	Total	Capitalized development	Rights/web domains		Total
					Rights/web domains	Total	
2014							
Opening acquisition value, January 1, 2014	286.2	6.0	292.2	271.5	44.3		315.8
Investments	69.6	19.8	89.4	51.9	2.2		54.1
Sales/disposals	-5.2	-	-5.2	-5.0	-8.5		-13.5
Reclassifications	-13.7	17.0	3.3	-	-		-
Translation differences	6.4	2.7	9.1	-	-		-
Closing accumulated acquisition value, December 31, 2014	343.3	45.5	388.8	318.4	38.0		356.4
Opening depreciation/amortization, January 1, 2014	-190.7	-2.0	-192.7	-119.7	-30.8		-150.5
Depreciation/amortization for the year	-44.2	-5.6	-49.8	-18.3	-4.0		-22.3
Sales/disposals	4.2	-	4.2	-	8.5		8.5
Reclassifications	5.1	-8.4	-3.3	-	-		-
Translation differences	-3.8	-1.0	-4.8	-	-		-
Closing accumulated depreciation/amortization, December 31, 2014	-229.4	-17.0	-246.4	-138.0	-26.3		-164.3
Net carrying amount	113.9	28.5	142.4	180.4	11.7		192.1
2015							
Opening acquisition value, January 1, 2015	343.3	45.5	388.8	318.4	38.0		356.4
Investments	89.9	21.1	111.0	69.0	0.0		69.0
Sales/disposals	-2.2	-	-2.2	-	-		-
Reclassifications	-7.1	7.1	0.0	-	-		-
Translation differences	-0.7	-1.1	-1.8	-	-		-
Closing accumulated acquisition value, December 31, 2015	423.2	72.6	495.8	387.4	38.0		425.4
Opening depreciation/amortization, January 1, 2015	-229.4	-17.0	-246.4	-138.0	-26.3		-164.3
Depreciation/amortization for the year	-56.2	-11.9	-68.1	-31.0	-4.5		-35.5
Sales/disposals	1.6	-	1.6	-	-		-
Reclassifications	3.0	-3.0	0.0	-	-		-
Translation differences	0.6	0.7	1.3	-	-		-
Closing accumulated depreciation/amortization, December 31, 2015	-280.4	-31.2	-311.6	-169.0	-30.8		-199.8
Net carrying amount	142.8	41.4	184.2	218.4	7.2		225.6

Depreciation is charged to sales and marketing expenses, administrative- and research and development expenses in the income statement.

Parent Company

2014	Rights	Total
Investments	-	-
Closing accumulated acquisition value, December 31, 2014	19.7	19.7
Opening depreciation/amortization, January 1, 2014	-10.2	-10.2
Depreciation/amortization for the year	-2.4	-2.4
Closing accumulated depreciation/amortization, December 31, 2014	-12.6	-12.6
Net carrying amount	7.1	7.1
2015	Rights	Total
Investments	-	-
Closing accumulated acquisition value, December 31, 2015	19.7	19.7
Opening depreciation/amortization, January 1, 2015	-12.6	-12.6
Depreciation/amortization for the year	-2.4	-2.4
Closing accumulated depreciation/amortization, December 31, 2015	-15.0	-15.0
Net carrying amount	4.7	4.7

Note 5 Costs allocated per type of cost

	Group	
	2015	2014
Depreciation and impairment losses	-103.6	-72.1
Expenses for remuneration to employees	-1,433.3	-1,230.5
Cost of purchasing and handling goods for resale	-3,262.2	-2,627.7
Other external expenses*	-921.8	-802.4
	-5,720.9	-4,732.7

*Other external expenses include Axis' expenses for handling Canon Inc.'s bid process. The expenses amounted to approximately 0.2 percent of the value of the bid.

Note 6 Audit fees

	Group	
	2015	2014
PwC		
The audit assignment	1.7	1.6
Audit work apart from the audit assignment	0.2	0.4
Tax consultancy	0.7	0.8
Other services	0.6	1.4
	3.2	4.2
Grant Thornton (minority auditor)		
The audit assignment	0.8	-
	0.8	-
Other auditors		
The audit assignment	2.9	2.6
Tax consultancy	0.7	0.3
Other services	0.4	0.5
	4.0	3.4
Group total	8.0	7.6

The audit fees and other fees to the parent company's auditors have been charged in their entirety to the subsidiary, Axis Communications AB.

Note 7 Other income and changes in value

	Group	
	2015	2014
Exchange differences	-32.6	-1.6
	-32.6	-1.6

Note 8 Lease obligations*

Leasing costs for the year amounted to SEK 122.8 M (2014: 110.9) in the group. The cost refers to minimum lease payments in its entirety as no variable payments or further letting occurs. Contracted future rental and leasing agreements are due for payment as follows.

	Group	
	2015	2014
	Minimum lease payments	Minimum lease payments
Leasing within 1 year	127.3	107.9
Leasing between 1 and 5 years	149.9	223.8
Leasing more than 5 years	17.6	11.3
	294.8	343.0

Agreements mainly refer to rent for premises.

* Relates to operating leases pertaining to normal agreements for the operations within stated range regarding non-terminable leases and other operating leases. Most lease agreements regarding premises contain terms and conditions that give the right to extend the lease in question during a predetermined period, and do not contain any transfer of ownership to the property at the end of the term or any economic benefits regarding appreciation in value of the leased property.

Note 9 Income taxes

	Group		Parent Company	
	2015	2014	2015	2014
Current tax	-183.1	-153.1	-135.1	-111.8
Deferred tax	-45.3	-21.5	-	-
	-228.4	-174.6	-135.1	-111.8
Recognized profit before tax	880.5	713.9	609.8	533.5
Theoretical tax	-193.7	-157.0	-134.2	-117.4
Recognized tax	-228.4	-174.6	-135.1	-111.8
Difference between theoretical and recognized tax	-34.7	-17.6	-0.9	5.6
<i>Due</i>				
Non-deductible expenses	-16.2	-12.7	-0.9	-1.6
Differences in foreign tax rates	-20.8	-9.0	-	-
<i>Deductible</i>				
Non-taxable income	2.3	4.1	-	7.2
	-34.7	-17.6	-0.9	5.6

The current tax rate for 2015 is 22.0 percent (2014: 22.0).

The tax, which is attributable to components in other comprehensive income amounted to the following:

	2015			2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Exchange differences	13.8	-	13.8	2.9	-	2.9
	13.8	-	13.8	2.9	-	2.9

Note 10 Earnings per share*Earnings per share before dilution*

Earnings per share before dilution is calculated by dividing the profit/loss attributable to the parent company's shareholders by a weighted average of the number of outstanding ordinary shares during the period.

	2015	2014
Earnings attributable to the parent company's shareholders	652.1	539.3
Weighted average number of outstanding ordinary shares, thousands	69,461	69,461
Earnings per share before dilution, SEK	9.39	7.76

Earnings per share after dilution

In calculating earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilutive effect of all potential ordinary shares.

	2015	2014
Earnings attributable to the parent company's shareholders	652.1	539.3
Weighted average number of outstanding ordinary shares, thousands	69,461	69,461
Weighted average number of outstanding ordinary shares after dilution, thousands	69,461	69,461
Earnings per share after dilution, SEK	9.39	7.76

Note 11 Deferred tax

The group's and the parent company's temporary differences have resulted in deferred tax assets and deferred tax liabilities in respect of the following items:

	Group	
	Dec 31, 2015	Dec 31, 2014
<i>Deferred tax receivables</i> ¹⁾		
Property, plant and equipment and intangible assets	0.9	1.1
Financial instruments	2.7	2.7
Inventories	12.3	9.8
Accrued discounts	13.2	11.1
Other accrued expenses	23.4	19.0
Other items ³⁾	1.5	2.4
	54.0	46.1
<i>Deferred tax liabilities</i>		
Tax allocation reserve	184.5	139.5
Property, plant and equipment and intangible assets	48.0	39.7
	232.5	179.2
Deferred tax assets/tax liabilities ²⁾	-178.5	-133.1
	Group	
	Dec 31, 2015	Dec 31, 2014
Opening deferred tax assets/tax liabilities ³⁾	-133.1	-111.8
Change during the year in:		
– property, plant and equipment and intangible assets	-8.5	-6.1
– inventories	2.5	0.4
– accrued discounts	2.1	5.3
– other accrued expenses	4.4	6.3
– other items	-0.9	0.8
– tax allocation reserve	-45.0	-28.0
Closing deferred tax assets/tax liabilities	-178.5	-133.1

¹⁾ Deferred tax liabilities to the same tax authority are recognized net in the balance sheet.

²⁾ The amount includes SEK 0 M (2014: 0), which refers to income tax attributable to components in other comprehensive income (Note 9).

³⁾ Other items were specified in several items, which meant that the comparative year was adjusted.

Note 12 Inventories

	Group	
	Dec 31, 2015	Dec 31, 2014
Goods for resale	1,022.2	722.3
	1,022.2	722.3

Note 13 Trade receivables and other receivables

	Group	
	Dec 31, 2015	Dec 31, 2014
Trade receivables	430.2	643.2
Provision for doubtful trade receivables	-7.2	-6.7
Trade receivables-net ¹⁾	423.0	636.5
Other receivables	51.6	35.9
Prepaid expenses and accrued income	72.8	59.1
	547.4	731.5

¹⁾ The amount includes contract manufacturers of SEK 6.2 M (2014: 118.9). Contract manufacturers refers to invoices issued to subcontractors when products are sent for reprocessing.

Note 13 (continued)

Axis applies net accounting of trade receivables in cases where Axis' counterparty in turn has claims on Axis in the form of accrued discounts connected to purchasing from Axis. At December 31, 2015, the effect of this net accounting, was a reduction in trade receivables of SEK 361 M (2014: 278).

Changes in the provision for doubtful receivables are as follows:

	Group	
	Dec 31, 2015	Dec 31, 2014
Opening balance	-6.7	-4.4
Provision for doubtful receivables	-0.8	-2.3
Receivables written off during the year that are not recoverable	0.1	0.0
Reversed unutilized amount	0.2	0.0
Closing balance	-7.2	-6.7

Age distribution of trade receivables:

	Group	
	Dec 31, 2015	Dec 31, 2014
Not due	424.1	493.7
Due for up to 3 months	4.5	140.5
Due over 3 months	1.6	9.0
Total trade receivables	430.2	643.2
Provision for doubtful receivables	-7.2	-6.7
Recognized trade receivables	423.0	636.5

The verified customer losses during 2015 totaled SEK 0.1 M (2014: 0.0).

Credit rating, customers (according to Dun & Bradstreet):

Risk range	Group	
	Dec 31, 2015	Dec 31, 2014
Lowest risk	134.3	177.4
Low risk	178.9	285.4
Medium risk	38.5	35.4
High risk	16.6	64.8
Highest risk	1.6	0.1
Unclassified	59.0	77.1
No Dun & Bradstreet data	1.3	3.0
Total	430.2	643.2

Note 14 Other financial assets

	Group	
	Dec 31, 2015	Dec 31, 2014
Depositions	3.6	3.1
Other	0.7	0.7
	4.3	3.8

All non-current receivables fall due within five years of the end of the reporting period.

Note 15 Cash and cash equivalents

	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Cash and bank balances	1,015.8	364.6	578.2	63.6
Investments in securities	0.0	50.0	0.0	50.0
	1,015.8	414.6	578.2	113.6

Credit rating of cash and cash equivalents

	Group			
	Dec 31, 2015	Rating 2015	Dec 31, 2014	Rating 2014
Danske Bank	200.0	A	50.1	A
HSBC	78.4	AA-	77.7	AA-
Nordea	719.3	AA-	269.4	AA-
Svenska Handelsbanken	0.0	AA-	0.1	AA-
Others	18.1	-	17.3	-
	1,015.8		414.6	

At December 31, 2015, Axis had no investments in securities. The effective rate of interest for investments in securities was 0.67 percent on December 31, 2014 and these investments had an average maturity of 9 days. Axis has an unutilized credit facility of SEK 50 M (2014: 1,000). The facilities were reduced during 2015 from SEK 1,000 M to SEK 50 M. The credit facilities are effective until December 31, 2017 and are contingent on special requirements of the banks. During 2015, no violations of these requirements occurred.

Note 16 Share capital

The company's share capital consists of 69,461,250 (2014: 69,461,250) shares of the same class. The share's quota value amounts to SEK 0.01.

Note 17 Other reserves in Equity

	Hedging reserve	Translation reserve	Total
Opening balance, January 1, 2014	-8.5	-10.0	-18.5
Translation differences	-	2.9	2.9
Closing balance, December 31, 2014	-8.5	-7.1	-15.6
Opening balance, January 1, 2015	-8.5	-7.1	-15.6
Translation differences	-	13.8	13.8
Closing balance, December 31, 2015	-8.5	6.7	-1.8

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year is recognized net after tax and totaled SEK 0 (2014: 0).

Note 18 Personnel

Average number of employees

	2015	Of whom men	2014	Of whom men
Parent Company	-	-	-	-
Argentina	2	1	2	1
Australia	16	13	15	11
Brazil	35	20	37	23
Chile	4	4	4	4
Colombia	4	2	6	4
United Arab Emirates	23	17	15	11
Finland	2	2	1	1
France	30	19	29	16
Hong Kong	29	16	23	8
India	18	15	18	16
Italy	21	16	20	14
Japan	31	18	27	14
Canada	21	13	19	12
China	88	57	77	50
Korea	11	7	11	4
Malaysia	6	4	7	5
Mexico	18	10	17	11
Netherlands	16	14	15	13
Norway	1	1	1	1
New Zealand	1	1	1	1
Poland	5	3	5	3
Russia	26	17	27	11
Singapore	37	20	33	17
Spain	13	11	14	12
UK	31	24	28	22
Sweden	1,258	954	1,059	804
South Africa	21	14	18	12
Taiwan	11	5	8	3
Czech Republic	14	10	10	6
Turkey	3	2	4	3
Germany	44	25	39	22
USA	225	173	207	157
Group total	2,065	1,508	1,797	1,292

Gender distribution among senior executives

	2015		2014	
	Number at the balance sheet date	Women	Number at the balance sheet date	Women
Board of Directors	8	13 %	8	13 %
Group Management	9	22 %	9	22 %

Salaries and other remuneration allocated among senior executives and others

	Board of Directors, President and other senior executives		Others		Total	
	2015	2014	2015	2014	2015	2014
Parent Company	-	-	-	-	-	-
Subsidiaries	27.9	20.8	1,055.5	916.1	1,083.4	936.9
Group total	27.9	20.8	1,055.5	916.1	1,083.4	936.9

Salaries and other remuneration above includes remuneration to the board member and senior executives who are employed in the group. Salaries and remuneration to the President and the board member who is employed in the group were paid through the subsidiary company, Axis Communications AB.

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2015	2014	2015	2014	2015	2014
Parent Company	-	-	-	-	-	-
Subsidiaries	1,083.4	936.9	349.9	293.6	93.2	77.9
Group total	1,083.4	936.9	349.9	293.6	93.2	77.9

Remuneration to the board of directors	Group	
	2015	2014
Directors' fees	2.0	1.0
	2.0	1.0

Remuneration to the Board and other senior executives

The board receives directors' fees of SEK 2.0 M in total for 2015 in accordance with the resolution of the AGM. Of the approved fees, SEK 800,000 is payable to the chairman of the board, and SEK 400,000 to each of the other board members. However, no fees are payable to Toshizo Tanaka.

Remuneration to the President and other members of the company management (that is, the eight persons who together with the President comprise the group management) consists of basic salary, variable remuneration, "stay on board remuneration" and pension. Other benefits and other remuneration are received on a corresponding basis to other employees. The basic salary for the senior executives depends on the specific position and the individual's performance. Variable remuneration (bonus) to the President and the other senior executives is based on the financial goals of the group and is calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President and CEO is maximized at 240 percent of the annual salary and for the other senior executives the bonus is maximized at 80 percent of the annual salary.

In connection with Canon Inc's public offer, the then board of directors decided to introduce "stay on board" remuneration of 3 monthly salaries each to all then members of the group management provided that the employment of each member had not been terminated at June 30, 2015. This remuneration has been paid. In September, the board decided to introduce new "stay on board" remuneration to the then members of the management team. For the President, the amount of remuneration is 100 percent of the gross annual salary. For the other senior executives concerned, the remuneration varies up to 100 percent of the gross annual salary. Payment of the remuneration will occur in two parts on June 30, 2016 and on June 30, 2017. Each payment is conditional on the senior executive on each payment date still being employed, has not had his/her employment terminated or has not resigned from his/her position. The remuneration is not pension-qualifying.

The results for the 2015 fiscal year have been charged with a bonus of SEK 1.5 M (2014: 2.1) to the President and CEO and a total of SEK 6.7 M (2014: 2.7) to other senior executives.

Remuneration and other benefits in respect of the board of directors and senior executives are shown in the table below.

2014	Basic	Other	Pension	Other	Total
	salary/fees*	Bonus	benefits	expense	
Board of Directors					
Roland Vejdemo (Chairman)	0.5	-	-	-	0.5
Charlotta Falvin	0.3	-	-	-	0.3
Olle Isberg (represents the shareholder LMK Industri AB)	-	-	-	-	-
Göran Jansson	0.3	-	-	-	0.3
Gustaf Brandberg (represents the shareholder Inter Indu AB)	-	-	-	-	-
Martin Gren (employed by Axis)	1.0	0.0	-	0.3	1.3
Group Management					
Ray Mauritsson (President & CEO)	2.4	2.1	-	1.4	5.9
Others persons in the Group Management (B)	12.6	2.7	-	2.9	18.2
	17.0	4.8	-	4.6	26.4

2015	Basic	Other	Pension	Other	Total
	salary/fees*	Bonus	benefits	expense	
Board of Directors					
Biörn Riese (Chairman)	0.8	-	-	-	0.8
Toshizo Tanaka	-	-	-	-	-
Håkan Kirstein	0.4	-	-	-	0.4
Bert Nordberg	0.4	-	-	-	0.4
Martin Gren (employed by Axis)	1.0**	0.0	-	0.3	1.3
Group Management					
Ray Mauritsson (President & CEO)	2.9	1.5	-	1.4	5.8
Others persons in the Group Management (B)	15.8	6.7	-	3.4	26.1
	21.3	8.2	-	5.1	34.8

The bonus presented in the tables includes the bonus that relates to the current fiscal year and which is disbursed during the next fiscal year as well as "stay on board remuneration" to the group management. Bonus for the fiscal year 2015 will be disbursed during 2016. Bonus of SEK 2.1 M for the fiscal year 2014 was disbursed during 2015 (2014: 2.7) to the President and CEO and a total of SEK 2.7 M (2014: 3.3) to other senior executives. In addition, "stay on board remuneration" of SEK 3.8 M was paid to the President and the group management. For information on how the bonus is calculated, see above.

* Directors' fees determined by the Annual General Meeting

** Of which director's fee SEK 0.4 M

Pensions

The group operates both defined benefit and defined contribution pension plans. Employees in the foreign units have defined-contribution pension plans. The ITP agreement applies for employees in Sweden, which is an agreement between the Confederation of Swedish Enterprise and the Council for Negotiation and Co-operation (PTK) governing salaried employees' occupational pension. The ITP agreement contains two parts; ITP 1 and ITP 2. ITP 1 is a defined-contribution pension plan while ITP 2 has a defined-benefit retirement and family pension.

The ITP 2 plan's defined-benefit retirement and family pension obligations are secured through insurance with Alecta. According to statement UFR 10 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, Recognition of the ITP 2 pension plan, which is financed through insurance with Alecta, this is a multi-employer defined-benefit plan. For the fiscal year 2015, the company did not have access to the information required to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to report it as a defined benefit plan. The ITP 2 pension plan secured through insurance with Alecta is therefore recognized as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and depends on factors such as salary, previously earned pension and anticipated remaining period of service. The pension contributions for the ITP insurance with Alecta amounted to SEK 23.7 M in 2015 (2014:19.0). Expected fees for the next fiscal year amount to SEK 26.5 M. The group's share of the combined fees to the plan is negligible. At the end of 2015, Alecta's surplus in the form of the collective consolidation level amounted to 153 percent¹⁾ (2014:143). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial methods and assumptions set by Alecta, which do not comply with IAS 19.

¹⁾ The figure is preliminary.

The retirement age for the President and CEO and other senior executives is 65. The pension insurance premium for the President and CEO amounts to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For salary in excess of 28.5 basic amounts, a premium of 25 percent is paid. For other senior executives, the ITP agreement is applied.

Termination benefits

In the event of termination of employment of the President and CEO, a mutual period of notice of 6 months applies. If notice of termination is given by the company, termination benefits equivalent to up to 12 cash monthly salaries are payable. In the event

of termination by the President, no termination benefits shall be payable. A mutual period of notice of three to six months applies between the company and the other senior executives. If notice of termination is given by the company, termination benefits equivalent to up to twelve cash monthly salaries are payable. A decision was taken by the board of directors during spring 2015 to introduce termination benefits of 12 months for all members of the management team. In the event of termination by any of the senior executives, no termination benefits will be payable.

Persons who are resident outside of Sweden may be offered notice periods and termination benefits that are competitive in the country where the persons are or have been resident or to which they have a substantial connection, preferably solutions equivalent to what applies for managerial employees resident in Sweden.

Change of control clause

No agreements exist, with the exception of employment contracts, the essential contents of which have been commented upon above, between the company and the directors or employees which prescribe that remuneration shall be payable if they: give notice; are served with notice without reasonable grounds; or if their employment is terminated for other reasons.

Preparation and decision-making process

During the period before the AGM on June 15, 2015, the board established a remuneration committee, and after this AGM, the board in its entirety constituted such a committee.

During the period before the AGM 2015, the remuneration committee submitted recommendations to the board in respect of principles for remuneration of senior executives. The recommendations covered the proportions between fixed salary and variable remuneration, and the size of any salary increases. The remuneration committee also proposed criteria for assessing bonus outcomes etc. The board discussed the remuneration committee's proposals, and reached decisions in line with the committee's recommendations.

The AGM 2015 resolved to adopt the board's proposal for guidelines for determination of salaries and other remuneration to the President and other senior executives.

During the period after the AGM 2015, the board followed and evaluated the application of the guidelines for determination of salaries and other remuneration to the President and other members of the company management, which were adopted by the AGM and ongoing and completed during the year programs for variable remuneration to the company management as well as remuneration structures and rates of compensation in the company.

Note 19 Other provisions

	Group	
	Dec 31, 2015	Dec 31, 2014
Warranty provision	105.3	85.7
Of which short-term portion ¹⁾	-44.1	-35.8
	61.2	49.9

	Group	
	2015	2014
Provisions brought forward	49.9	44.0
Changes during the year, warranty provision	11.3	5.9
Provisions carried forward	61.2	49.9

¹⁾ Refers to the portion which is expected to be settled within one year. The short-term portion of the warranty provision is classified under Trade payables and other liabilities. See Note 20.

Note 20 Trade payables and other liabilities

	Group	
	Dec 31, 2015	Dec 31, 2014
Trade payables	532.9	474.1
Other liabilities	55.2	44.8
Short-term portion of warranty provision	44.1	35.8
Social security contributions and other taxes	74.1	63.7
Accrued expenses	286.7	273.8
	993.0	892.2

Note 21 Financial income

	Parent Company	
	2015	2014
Anticipated dividends from subsidiaries	-	32.9
Interest income, external	0.1	1.4
Exchange differences	0.4	0.6
	0.5	34.9

Note 22 Financial expenses

	Parent Company	
	2015	2014
Interest expenses, external	-0.7	-2.1
Exchange differences	-2.4	-35.4
Other financial expenses	-0.1	-0.2
	-3.2	-37.7

Note 23 Appropriations

	Parent Company	
	2015	2014
Additional depreciation	-0.9	-
Provision to tax allocation reserve	-204.7	-127.4
Group contributions received	820.2	606.5
Group contributions paid	-0.2	-0.2
	614.4	478.9

Note 24 Participations in subsidiaries

Shares owned by the Parent Company	Registered office	Corporate registration no.	Share of votes and equity	Number of shares	Par value	Carrying amount	
						Dec 31, 2015	Dec 31, 2014
Axis Communications AB	Sweden, Lund	556253-6143	99.9 %*	1,599	0.2	0.3	0.3
Gren Et Karlsson Firmware AB	Sweden, Lund	556304-6209	100 %	500	0.1	0.1	0.1
Axis Technologies AB	Sweden, Lund	556485-0765	100 %	500	0.1	0.1	0.1
Axis Alfa AB	Sweden, Lund	556599-4547	100 %	500	0.1	0.1	0.1
Axis Beta AB	Sweden, Lund	556599-4588	100 %	500	0.1	0.1	0.1
Axis Gamma AB	Sweden, Lund	556599-4562	100 %	500	0.1	0.1	0.1
Axis Comunicaciones de Argentina SA	Argentina		10 %*	50,000	0.1	0.0	0.0
Axis Comunicaciones Chile Limitada	Chile		1.0 %*	0	0.1	0.0	0.0
Axis Video Systems India Private Limited	India		0.1 %*	1	0.0	0.0	0.0
						0.8	0.8

* The remaining share is owned by other group companies.

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Comunicaciones de Argentina SA	Argentina		90 %*
Axis Communications Pty Ltd	Australia		100.0 %
Axis Communications Com e Serv Ltda	Brazil		100.0 %
Axis Comunicaciones Chile Limitada	Chile		99 %*
Axis Comunicaciones Colombia SAS	Colombia		100.0 %
Axis Communications Oy	Finland		100.0 %
Axis Communications SA	France		100.0 %
Axis Communications FZE	United Arab Emirates		100.0 %
Axis Video Systems India Private Limited	India		99.9 %*
Axis Communications S.r.l.	Italy		100.0 %
Axis Communications KK	Japan		100.0 %
Axis Communications Inc, Canada	Canada		100.0 %
Axis Communications Ltd	China, Hong Kong		100.0 %
Shanghai Axis Communication Equipment Trading Co. Ltd	China, Shanghai		100.0 %
Axis Communications Korea Co. Ltd	Korea		100.0 %
Axis Communications d.o.o. za usluge	Croatia		100.0 %
Axis Communications Video Sdn. Bhd.	Malaysia		100.0 %
Axis LAC S.A. de C.V.	Mexico		100.0 %
Axis Communications BV	Netherlands		100.0 %
Axis Communications Norge AS	Norway		100.0 %
Axis Communications New Zealand Ltd	New Zealand		100.0 %
Axis Communications Poland Sp. z.o.o.	Poland		100.0 %
Axis Communications OOO	Russia		100.0 %
Axis Communications (S) Pte Ltd	Singapore		100.0 %
Axernet Communications SA	Spain		100.0 %
Axis Communications (UK) Ltd	UK		100.0 %
Axis Communications AB	Sweden, Lund	556253-6143	0.1 %*
Axis Network AB	Sweden, Lund	556505-3450	100.0 %
Axis Peripherals AB	Sweden, Lund	556505-1785	100.0 %
Axis Communications SA Pty Ltd	South Africa		100.0 %
Axis Communications Taiwan Co., Ltd	Taiwan		100.0 %
Axis Communications (Thailand) Ltd	Thailand		100.0 %
Axis Communications s.r.o.	Czech Republic		100.0 %
Axis Komünikasyon Hizmetleri Ve Ticaret Ltd Şirketi	Turkey		100.0 %
Axis Communications GmbH	Germany		100.0 %
Axis Communications Inc	USA		100.0 %

*The remaining share is owned by Axis AB.

Note 25 Contingent liabilities

	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Contingent liabilities				
Customs bond	6.0	6.0	–	–
Contingent liabilities on behalf of other group companies	–	–	27.4	28.5
	6.0	6.0	27.4	28.5

Note 26 Cash flow from operations

	Group		Parent Company	
	2015	2014	2015	2014
Net profit/loss for the period before financial items	881,2	715,4	-1,9	57,5
Adjusted for:				
– depreciation of property, plant and equipment	68,1	49,8	–	–
– amortization of intangible assets	35,5	22,3	2,4	2,4
– other items not affecting cash flow*	67,5	6,9	–	–
Change in working capital				
– inventories	-299,9	-85,5	–	–
– trade receivables and other receivables	184,1	-52,9	-0,5	0,6
– trade payables and other liabilities	58,9	49,7	-0,3	5,6
Cash flow from operations	995,4	705,7	-0,3	66,1

*This item includes foreign currency translation effects.

Note 27 Related parties

All group companies are reported in Note 24 Participations in subsidiaries. Information about board members and members of the group management and remuneration of these members is reported in Note 18 Personnel. Apart from the remuneration to board members and the group management that is described in Note 18, no transactions with related physical persons have taken place. The group has not provided loans, provided indemnities or issued guarantees for any of the members of the board or other senior executives.

Axis did not have any significant financial transactions with its principal owner Canon Inc or its subsidiaries. Some Axis group companies lease office machines from subsidiaries of Canon Inc., since before Canon Inc's offer. All operational collaboration occurs on the basis of well-defined policy documents. Any financial translations, when appropriate, shall occur on market-related terms.

During the year, Axis initiated a number of potential cooperation projects with companies in the Canon group and initiated two projects/pilot studies. Initiated projects/pilot studies are well-defined and include Non-Disclosure Agreements, (NDAs), when necessary. Furthermore, collaboration that is initiated or ongoing with the Canon group shall be of clear benefit to the Axis group, either financially or technologically. As stated above, cooperation projects shall be based on market-related terms. A pilot study is underway on the material sourcing side, which aims to identify purchasing synergies and that Axis shall thereby obtain relatively lower sourcing costs. In the IPR field, Axis can benefit in certain cases from knowledge and cross-licensing agreements that exist in the Canon group. Projects are also underway in product development with the aim of enabling Axis to produce more competitive products by gaining access to knowledge

and technology components from Canon. If/when these collaborative efforts result in financial transactions where Axis uses Canon as a subcomponent supplier, they will occur on market-related terms, as described above. All in all, in cooperation projects during 2015, Axis utilized internal resources of approx. SEK 6.5 M, mainly in the form of time invested and also incurred external expenses of approx. SEK 0.6 M.

Note 28 Post-balance sheet events

28.1 Acquisition of Citilog SA

On January 31, 2016, Axis Communications AB acquired 100 percent of the shares in Citilog SA, a leading provider of video monitoring solutions for the transport sector. Through the acquisition, Axis broadens its product portfolio with reliable video analytics tools for transport monitoring. The group can thus provide a more complete traffic solution offering, generating increased opportunities in the fast-growing traffic analytics market.

The financial effects of this transaction were not recognized at December 31, 2015. Operating profit as well as assets and liabilities relating to the acquired company are consolidated from and including January 31, 2016.

The goodwill arising from the acquisition is related to Citilog's strong position in the market. The goodwill arising is not expected to be tax-deductible.

a) Purchase price

The purchase price has still not been finally determined. The purchase price will consist entirely of liquid assets.

b) Acquisition-related costs

No significant acquisition-related costs are included in the consolidated income statement for the 2015 fiscal year.

c) Information that cannot be provided

At the time of signing the financial statements, the group had still not completed the accounting for the Citilog SA business combination. It is not possible to state the carrying amounts of identifiable acquired assets and liabilities assumed on the acquisition date as the valuation was not completed. It is therefore not possible to provide detailed information about every type of acquired receivable and about any contingent liabilities in the acquired company. The Citilog Group's fiscal year ended on March 3, 2016, which means that it is not possible to provide disclosure of revenues and earnings for 2015 as there is still no audited financial information at hand. On March 31, 2015, the Citilog Group's balance sheet total amounted to EUR 6.3 M and its sales totaled EUR 5.8 M.

Note 29 Key ratio definitions

Equity/assets ratio – Equity as a percentage of the balance sheet total

Return on total assets – Profit/loss after financial items plus financial expenses divided by average balance sheet total

Return on equity – Profit/loss after financial items and tax divided by average equity

Earnings per share – Net profit/loss for the year divided by the average number of shares

Signatures

The board of directors and the President affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS as adopted by the EU and provide a true and fair view of the group's financial position and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations.

The statutory administration report for the group and the parent company provides a true and fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies forming part of the group.

The consolidated income statements and balance sheets and those of the parent company shall be adopted at the Annual General Meeting on April 13, 2016.

Lund, March 14, 2016

Biörn Riese
Chairman

Toshizo Tanaka
Board member

Martin Gren
Board member

Håkan Kirstein
Board member

Bert Nordberg
Board member

Cristian Ionescu-Ildbohrn
Employee representative

Haris Mustafic
Employee representative

Marie Nässlind
Employee representative

Our audit report was submitted on March 14, 2016.

PricewaterhouseCoopers AB

Grant Thornton Sweden AB

Ola Bjärehäll
Authorized Public Accountant

Stefan Hultstrand
*Authorized Public Accountant
Minority auditor*

Audit report

To the Annual General Meeting of the shareholders of Axis AB (publ), corporate identity number 556241-1065.

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and consolidated financial statements for Axis AB (publ) for the year 2015. The company's annual accounts and consolidated financial statements are presented in the printed version of this document on pages 35-60.

The Board of Directors and the President are responsible for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2015 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2015 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Axis AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 14, 2016
PricewaterhouseCoopers AB

Grant Thornton Sweden AB

Ola Bjärehäll
Authorized Public Accountant

Stefan Hultstrand
*Authorized Public Accountant
Minority Auditor*

Multi-year summary

INCOME STATEMENT (SEK M)	2011	2012	2013	2014	2015
Net sales	3,577.6	4,183.5	4,716.8	5,449.7	6,634.7
Cost of goods and services sold	-1,750.2	-2,080.0	-2,286.6	-2,627.7	-3,262.2
Gross profit	1,827.4	2,103.5	2,430.2	2,822.0	3,372.5
Other income and changes in value	19.7	-30.0	-8.0	-1.6	-32.6
Selling and marketing expenses	-610.4	-747.5	-864.4	-1,019.6	-1,180.8
Administrative expenses	-135.8	-171.0	-208.9	-226.7	-292.2
Research and development expenses	-467.6	-579.7	-708.6	-858.7	-985.7
Operating profit	633.3	575.3	640.3	715.4	881.2
Net financial items	-2.3	-6.5	-3.1	-1.5	-0.7
Profit after financial items	631.0	568.8	637.2	713.9	880.5
Tax on net profit	-175.3	-141.5	-158.3	-174.6	-228.4
Net profit for the year	455.7	427.3	478.9	539.3	652.1

BALANCE SHEET (SEK M)	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015
Non-current assets	186.7	210.9	270.5	338.3	414.1
Inventories	410.8	536.0	636.8	722.3	1,022.2
Trade receivables	458.4	391.9	592.0	636.5	423.0
Other receivables	58.7	92.8	105.9	95.0	124.4
Cash and cash equivalents	425.0	464.5	337.7	414.6	1,015.8
Total	1,539.6	1,696.1	1,942.9	2,206.7	2,999.5
Equity	768.6	809.8	936.9	1,097.1	1,741.5
Non-current liabilities	101.8	124.6	159.3	187.4	243.4
Current liabilities	669.2	761.7	846.7	922.2	1,014.6
Total	1,539.6	1,696.1	1,942.9	2,206.7	2,999.5

CASH FLOW STATEMENT (SEK M)	2011	2012	2013	2014	2015
Cash flow from operating activities before change in working capital	573.7	416.7	567.6	689.2	860.1
Change in working capital	-119.4	-56.1	-90.1	-88.7	-56.9
Cash flow from operating activities	454.3	360.6	477.5	600.5	803.2
Cash flow from investing activities	-82.0	-79.1	-117.0	-141.6	-180.5
Cash flow from financing activities	-313.6	-242.0	-487.3	-382.0	-21.5
Cash flow for the period	58.7	39.5	-126.8	76.9	601.2
Cash and cash equivalents at the beginning of the period	366.3	425.0	464.5	337.7	414.6
Cash and cash equivalents at the end of the period	425.0	464.5	337.7	414.6	1,015.8

OPERATING CASH FLOW (SEK M)	2011	2012	2013	2014	2015
Profit after financial items	631.0	568.8	637.2	713.9	880.5
Depreciation/amortization	36.5	50.0	55.4	72.1	103.6
Tax	-107.9	-237.4	-128.2	-103.8	-191.5
Total	559.6	381.4	564.4	682.2	792.6
Change in working capital	-119.4	-56.1	-90.1	-88.7	-15.0
Net investment	-82.0	-79.1	-117.0	-141.6	-180.5
Operating cash flow	358.2	246.2	357.3	451.9	597.1

KEY RATIOS	2011	2012	2013	2014	2015
Net sales growth, %	22.0	16.9	12.7	15.5	21.7
Gross margin, %	51.1	50.3	51.5	51.8	50.8
Operating margin, %	17.7	13.8	13.6	13.1	13.3
Profit margin, %	17.6	13.6	13.5	13.1	13.3
Depreciation/amortization, SEK M	36.5	50.0	55.4	72.0	103.6
Equity, SEK M	769	810	937	1,097	1,742
Capital employed, SEK M	769	950	937	1,097	1,742
Interest-bearing liabilities, SEK M	-	140	-	-	-
Net debt, SEK M	425	325	338	415	1,016
Balance sheet total, SEK M	1,540	1,696	1,943	2,207	3,000
Return on capital employed, %	85.1	66.9	67.9	70.5	62.1
Return on total assets, %	44.9	34.7	35.2	34.6	33.9
Return on equity, %	66.6	53.1	56.9	54.8	48.4
Interest coverage ratio, multiple	276.4	88.5	206.5	224.1	801.5
Equity/assets ratio, %	49.9	47.7	48.2	49.7	58.1
Proportion of risk-bearing capital, %	54.7	52.7	54.2	55.8	64.0
Capital turnover ratio, multiple	4.5	4.5	4.8	5.4	4.7
Number of employees (average for the period)	1,039	1,278	1,532	1,797	2,065
Sales per employee, SEK M	3.4	3.3	3.1	3.0	3.2
Operating profit per employee, SEK M	0.6	0.5	0.4	0.4	0.4

PER-SHARE DATA	2011	2012	2013	2014	2015
Profit after financial items, SEK	9.08	8.19	9.17	10.28	12.67
Cash flow, SEK per share	0.85	0.57	-1.83	1.11	8.65
Equity, SEK per share	11.07	11.66	13.49	15.79	25.06
Share price at end of the period	138.50	177.50	223.80	199.60	343.40
Price/equity, percent per share	1,252	1,523	1,659	1,264	1,370
Dividend paid	4.50	5.50	5.00	5.50	0.31
P/E ratio	21	29	32	26	37
P/S ratio	2.69	2.95	3.30	2.54	3.60
Earnings per share before dilution, SEK	6.56	6.15	6.89	7.76	9.39
Earnings per share after dilution, SEK	6.56	6.15	6.89	7.76	9.39
Number of shares before dilution, average, thousands	69,461	69,461	69,461	69,461	69,461
Average number of shares after dilution, average, thousands	69,461	69,461	69,461	69,461	69,461
Number of outstanding shares (thousands)	69,461	69,461	69,461	69,461	69,461
Average number of shares, (thousands)	69,461	69,461	69,461	69,461	69,461

Quarterly data

Invoiced sales per product group (SEK M)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015
Video	1,121.2	1,354.0	1,458.3	1,496.2	1,347.5	1,607.6	1,885.5	1,738.8	6,579.4
Other	7.9	0.7	3.8	7.6	6.8	8.7	20.2	19.6	55.3
Total	1,129.1	1,354.7	1,462.1	1,503.8	1,354.3	1,616.3	1,905.7	1,758.4	6,634.7

Invoiced sales per region (SEK M)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015
EMEA	401.5	478.7	522.9	596.1	470.4	554.2	602.2	739.5	2,366.3
Americas	591.4	700.4	758.2	692.7	713.0	859.9	1,084.8	832.0	3,489.7
Asia	136.2	175.6	181.0	215.0	170.9	202.2	218.7	186.9	778.7
Total	1,129.1	1,354.7	1,462.1	1,503.8	1,354.3	1,616.3	1,905.7	1,758.4	6,634.7

Income statement (SEK M)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015
Net sales	1,129.1	1,354.7	1,462.1	1,503.8	1,354.3	1,616.3	1,905.7	1,758.4	6,634.7
Gross profit	569.8	706.9	760.9	784.4	710.1	821.7	973.6	867.1	3,372.5
Gross margin, %	50.5	52.2	52.0	52.2	52.4	50.8	51.1	49.3	50.8
Operating profit	72.1	187.6	256.5	199.2	144.8	116.5	388.7	231.2	881.2
Operating margin, %	6.4	13.8	17.5	13.2	10.7	7.2	20.4	13.1	13.3
Profit after financial items	71.0	186.8	253.2	202.9	144.5	116.2	388.7	231.1	880.5

Definitions

Capital employed

The balance sheet total less non interest-bearing liabilities including deferred tax liability.

Capital turnover rate

Net sales divided by average capital employed.

Cash flow per share

Cash flow for the year divided by the average number of shares.

Earnings per share

Net profit for the year by the average number of shares.

Equity/assets ratio

Equity including minority interest as a percentage of the balance sheet total.

Equity per share

Equity divided by the number of outstanding shares.

Gross margin

Gross profit as a percentage of net sales.

Interest coverage ratio

Profit after financial items plus financial expenses divided by financial expenses.

Net debt

Net interest-bearing receivables and liabilities.

Operating margin

Operating profit as a percentage of sales.

Operating margin after depreciation of property, plant and equipment

Operating profit after depreciation of property, plant and equipment as a percentage of sales.

P/E

Market value divided by profit after full tax.

P/S

Market value divided by net sales.

Profit margin

Profit after financial items as a percentage of sales.

Profit per employee

Operating profit after depreciation/amortization divided by the average number of full-time employees.

Proportion of risk-bearing capital

Equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

Return on capital employed

Profit after financial items plus financial expenses divided by average capital employed.

Return on equity

Profit after financial items less full tax divided by average equity.

Return on total assets

Profit after financial items plus financial expenses divided by average balance sheet total.

Sales per employee

Sales divided by the average number of full-time employees.

Corporate Governance Report 2015

The Corporate Governance Report for Axis Aktiebolag (publ) for 2015 is presented below, and has been reviewed by the company's auditor. The report describes the division of responsibilities within Axis and also how the company's three decision-making bodies – the annual general meeting, board of directors and President – operate and interact.

Corporate governance is the system whereby the owners, directly or indirectly, govern and control the company. In a stock corporation such as Axis, governance, management and control are distributed among the shareholders, the board of directors and the President in accordance with prevailing laws, regulations and instructions.

Axis Aktiebolag (publ) (hereafter "Axis") is a public Swedish stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on Nasdaq Stockholm's main market. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden. The company has not committed any breaches of Nasdaq Stockholm's rules and regulations or of best practice in the stock market.

Axis applies the Swedish Code of Corporate Governance (hereafter the "Code"). Axis does not deviate from the Code, with the exception of what is expressly stated below. Information about the Code may be found on www.bolagsstyrning.se.

Control model



Deviations from the Code

In light of the new ownership in Axis after completion of the public offer from Canon Inc. the Annual General Meeting 2015 did not appoint a nomination committee. The company thus deviates from the Code's rules with regard to a nomination committee. The duties of the nomination committee under the Code will be performed instead, where appropriate, by Axis' largest shareholder Canon Inc. or by the company's board of directors. As far as election and remuneration of auditors is concerned, the board has appointed a special group that prepares the procurement process. This group has special experience in questions relating to appointment and remuneration of auditors, which is considered to be of benefit to Axis and raises the quality of the procurement process.

Share capital, voting rights and ownership

Axis had 1,667 shareholders at the end of 2015 according to the share register maintained by Euroclear Sweden AB. The company's largest owner is Canon Inc. (85.1 percent). Foreign investors' equity interest was 99.4 percent. The five largest owners had total holdings corresponding to 96.4 percent of the share capital. For additional ownership data see pages 32–33 in the printed annual report. The company's share capital totaled SEK 0.7 M at year-end. The total number of shares on December 31, 2015 amounted to 69,461,250, all shares carry one vote and equal right to share in the company's assets and earnings.

Main owners

	Number of shares	Share of equity and votes
Canon Inc.	59,095,304	85.1 %
Barclays Capital Securities Ltd	3,352,094	4.8 %
Elliott International LLP	2,577,511	3.7 %
CBNY-Norges bank	998,152	1.4 %
Elliott Associates, L.P.	904,060	1.3 %
Other	2,534,129	3.7 %
Total	69,461,250	100.0 %

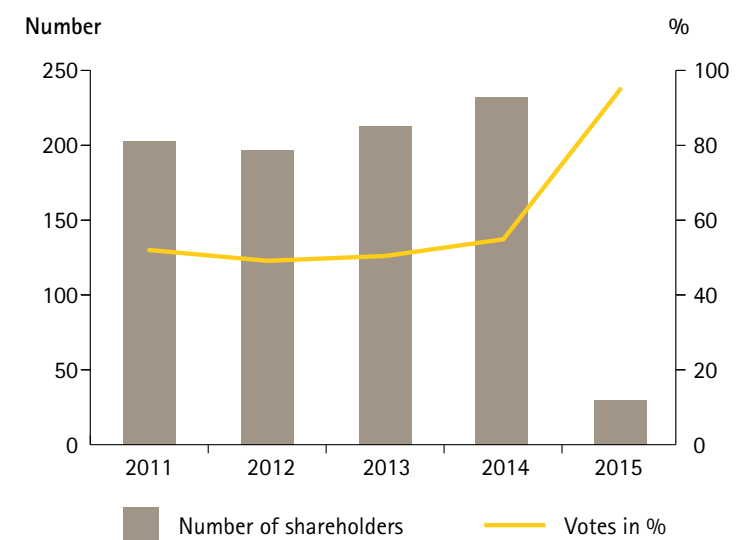
Provisions in Articles of Association

The company's articles of association do not contain any limitations in respect of how many votes each shareholder may cast at a general meeting of shareholders. There are no special provisions in the company's articles of association regarding appointment and dismissal of board members or regarding amendment of the articles of association.

Annual General Meeting

The general meeting is Axis' highest decision-making body, and the forum through which the shareholders can exercise their influence over the company. The ordinary general meeting where the board shall submit the annual report and consolidated financial statements is called the Annual General Meeting (AGM). The auditors submit the audit report and the audit report for the group at the AGM. The particulars of the AGM are governed by the Swedish Companies Act and by the articles of association. Axis' AGM is held annually in the Lund area during the first half of the year. The venue and date of the AGM will be announced in connection with the interim report for the third quarter in the preceding year. Information regarding the shareholders' right to have matters addressed at the AGM is available on the company's website from the time of the report's publication. The notice convening the AGM is published no later than four weeks prior to the AGM. At the AGM, information is provided about the company's performance during the past year and resolutions are passed on important questions. The shareholders are given the opportunity at the AGM to ask questions about the company and the results for the year in question. Apart from the legal requirements concerning the right of shareholders to participate in the AGM, preregistration for the AGM is required under Axis' articles of association within the period specified in the convening notice. When applicable, notification should also be provided if the shareholder intends to take

Attendance Annual General Meetings 2011–2015



along assistants. Those shareholders who cannot personally attend may be represented by proxy. The company does not apply any special arrangements as regards the running of the AGM, either on account of provisions in the articles of association or, as far as the company knows, shareholders' agreements.

The Annual General Meeting, June 15, 2015

The AGM, which was held in Lund on June 15, 2015 resolved as follows:

The AGM resolved in accordance with the principal owner's proposals, namely

- > to elect five ordinary board members without any deputy board members,
- > to re-elect the board member Martin Gren,
- > to elect Bert Nordberg, Biörn Riese, Håkan Kirstein and Toshizo Tanaka as new board members,
- > to elect Biörn Riese as chairman of the board, and
- > that directors' fees shall be paid of SEK 2,000,000 in total to be allocated as follows: SEK 800,000 to the chairman of the board and SEK 400,000 to each of the other members, however, fees shall not be paid to Toshizo Tanaka.

The AGM has not authorized the board to resolve that the company should issue new shares or acquire its own shares.

Nomination Committee

The AGM resolves on appointment of a nomination committee. However, in light of the new ownership in Axis after completion of the public offer from Canon Inc., no nomination committee was appointed at the AGM 2015.

Proposals and views from shareholders concerning the composition of the board may either be submitted in writing to the address: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or by phone +46 46 272 18 00.

Board of Directors

During the period between AGMs, the board of directors of Axis constitutes the highest decision-making body in the company. The duties of the board are governed by the Swedish Companies Act and by the articles of association. The current articles of association were adopted at the AGM 2015 and are available in their entirety on www.axis.com. According to the company's articles of association, the board of directors shall consist of a minimum of three and a maximum of seven members, with a maximum of three deputy board members.

The following board members were present at the AGM on June 15, 2015. Gustaf Brandberg, Martin Gren, Olle Isberg and Roland Vejdemo. Charlotta Falvin and Göran Jansson did not attend. The following proposed board members were not present: Bert Nordberg, Håkan Kirstein and Toshizo Tanaka.

The board member Martin Gren was re-elected. Bert Nordberg, Biörn Riese, Håkan Kirstein and Toshizo Tanaka were elected as new members. Biörn Riese was elected as chairman of the board. The board of directors thus consists of five members elected by the AGM.

The board members Bert Nordberg and Håkan Kirstein are deemed to be independent in relation to Axis, the company management and to the major shareholders. Martin Gren is employed by the subsidiary Axis Communications AB and is thus not deemed to be independent in relation to Axis and the company management but is deemed to be independent in relation to the major shareholders. Biörn Riese and Toshizo Tanaka are deemed to be independent in relation to Axis and the company management but not independent in relation to the company's largest shareholder Canon Inc.

Information regarding the remuneration to board members approved by the AGM may be found in the table below and in Note 18, Personnel. Other information about the board members may be found on page 73 of the printed annual report. Information about the shareholdings of board members may be found on page 73 of the printed annual report and on the company's website.

The formal work plan of the Board of Directors

Under the Swedish Companies Act, the board is responsible for drawing up and evaluating Axis' overall, long-term strategies and goals, adopting the budget and taking decisions affecting the operations and major investments in Axis' organization and operations. The formal work plan of the board is adopted annually by the board. In the formal work plan, and the board's instructions to the President and CEO, the duties of the board and the division of work and responsibilities between the board and the President and CEO are described. It is incumbent on the President and CEO, in consultation

with the chairman of the board, to prepare the decision data, the notification and the agenda for each board meeting. The notification and decision data are to be circulated to the board members in advance. The minutes are to be circulated to the board members after the meeting, and a copy stored securely by the company.

The role of the chairman of the board of Axis AB, among other things, is to monitor the progress of the business, to organize and lead the work of the board and to be responsible for ensuring that the other directors continually receive the information they require to carry out the work of the board with maintained quality and in accordance with the Swedish Companies Act.

The work of the Board during 2015

During the period until the AGM 2015, Axis' then board, focused on questions relating to the public offer that Canon Inc. made to Axis' shareholders in early 2015.

The new board members elected at the AGM 2015 have received an introduction to Axis and its operations. During the period after the AGM 2015, the board worked on Axis' overall long-term strategies and goals as well as the budget. The board has continually followed and discussed Axis' performance based on monthly reporting of the company's financial situation and its operations. In addition, the board regularly received and discussed reports from the company's various lines of business.

The board continued to focus on the strategy for the network video field, and on the constant changes in external factors and competition. The geographical and product-related growth strategy was discussed in light of the opportunities generated by collaboration with and support from the company's largest owner Canon Inc., on market-related terms. The board has followed the progress in creating Axis' new office building in Lund.

The board discussed compliance with the Swedish Code of Corporate Governance and continually handled other questions, which are the responsibility of the board in order to ensure good governance and control in the company. The board conducts an annual evaluation of its work through the agency of the chairman. Such an evaluation was carried out within the board without the involvement of external parties. In the evaluation carried out for 2015, each board member answered a questionnaire in order to get an idea of the board members' opinions about how the board work has been conducted, what measures can be taken to improve the board work and what issues should be given more attention, among other things.

According to the formal work plan of the board, at least five ordinary meetings must be held annually in addition to the statutory meeting. In addition to this, the board may convene when circumstances so require. During 2015, the board held thirteen board meetings including the statutory meeting. See table on page 68 for meeting attendance.

A presentation of the board may be found on page 73.

Committees

Remuneration Committee

Questions relating to decisions and guidelines regarding salary and other terms of employment for the company management (including President) and other employees are handled by the board as a whole, and for this reason, a special remuneration committee has not been appointed.

The board follows and evaluates the application of the guidelines for determination of salaries and other remuneration to the President and other members of the company management, which have been adopted by the AGM and also follows and evaluates any ongoing and completed during the year programs for variable remuneration to the company management. The board also monitors remuneration structures and rates of compensation in the company.

Audit Committee

Questions relating to internal control and audit are handled by the board in its entirety and therefore no special audit committee has been appointed.

The President & CEO and Group Management

Axis' group management consists of nine members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson holds a Master of Science, Engineering physics from Lund University, and an Executive MBA from the Institute of Economics, at Lund University. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Mauritsson held leading positions at TAC (now Schneider Electric). He has a directorship in HMS Industrial Networks but has no other significant assignments outside of Axis. Neither Ray Mauritsson nor related parties to him have any substantial shareholding or partnership in companies that Axis has significant business relations with.

For information about the President's and Group Management's shareholdings see pages 74–75 of the printed annual report and the company's website.

The President and CEO manages the day-to-day work, and is responsible for keeping the board informed of the performance of the operations, and for ensuring that they are being conducted in accordance with the board's guidelines and instructions. The President keeps the board and the chairman continually informed of the company's and the group's financial position and performance. The group management team held eleven formal and a number of informal meetings during the year. Two of these were extended strategy meetings where areas dealt with included; the long-term innovation- and growth agenda, core values and their development, organization and employee development and efficient processes.

Remuneration to the Board, Auditor, President and Senior Executives

Board of Directors

Directors' fees of SEK 2,000,000 are payable, according to the resolution of the AGM on June 15, 2015. The chairman receives fees of SEK 800,000 and each of the other board members receives fees of SEK 400,000, however, no fees shall be paid to Toshizo Tanaka.

Auditor

Fees to auditors and minority auditors are payable according to approved invoice, pursuant to the resolution of the AGM on June 15, 2015.

President and Senior Executives

The principles for remuneration of the President and other persons in the company management were determined by the AGM on June 15, 2015. The principles essentially correspond to the principles that have been applied to date. The Board has been authorized to deviate from the principles if there are specific reasons in individual cases. Prior to the AGM 2015, two deviations were made from the principles adopted by the AGM 2014, whereby i) termination benefits offered to the members of the company management other than the President were

Composition of the Board of Directors

Name	Year elected	Independent	Total fees	Attendance		
				Remuneration Committee ¹⁾	Board meetings	Committee meetings
Roland Vejdemo (Chairman of the Board)	2010	Yes	500,000	Yes	8 (13) *	1 (1)
Martin Gren	1984	No	400,000	–	8 (13)	–
Olle Isberg	2006	No	–	Yes	5 (13) *	1 (1)
Charlotta Falvin	2006	Yes	250,000	–	7 (13) *	–
Göran Jansson	2007	Yes	250,000	–	8 (13) *	–
Gustaf Brandberg	2013	No	–	–	5 (13) *	–
Kalle Bergdahl (employee representative for IF Metall)	2013	–	–	–	8 (13) *	–
Cristian Ionescu-Ildbohn (employee representative for SACO)	2013	–	–	–	5 (13)	–
Biörn Riese (Chairman of the Board)	2015	No	800,000	–	5 (13) **	–
Bert Nordberg	2015	Yes	400,000	–	5 (13) **	–
Håkan Kirstein	2015	Yes	400,000	–	5 (13) **	–
Toshizo Tanaka	2015	No	–	–	3 (13) **	–
Haris Mustafic (employee representative for IF Metall)	2015	–	–	–	0 (13) ***	–
Madhavi Kagganti (employee representative for SACO, deputy)	2015	–	–	–	5 (13) **	–
Marie Nässlind (employee representative for Unionen)	2015	–	–	–	1 (13) ***	–
Mats Friberg (employee representative for Unionen, deputy)	2015	–	–	–	1 (13) ***	–

¹⁾ The board in its entirety as of June 15, 2015

During 2015, 13 meetings were held in total. The board elected by the AGM 2014 held 8 meetings and the board elected by the AGM 2015 held 5 meetings.

* Resigned as of June 15, 2015 ** Board member since June 15, 2015 *** Board member since October 9, 2015

adjusted to correspond to 12 monthly salaries, and ii) a "stay on board" remuneration corresponding to three monthly salaries, conditional on continued employment on 30 June 2015, was introduced for the members of the management team. The adjustment of termination benefits was made in order to align management compensation with market standards. This was deemed particularly necessary due to the then outstanding public offer for the company made by Canon. The "stay on board" remuneration was introduced for the same reason, whereby specific reasons existed for the deviations. The deviation regarding termination benefits is in line with the principles subsequently adopted by the AGM on June 15, 2015.

Remuneration to the President and other members of the company management (that is, the eight persons who together with the President comprise the group management) may consist of basic salary, variable remuneration, "stay on board remuneration" and pension.

Basic salary

The basic salary should be determined on the basis that it should be competitive. The absolute level should depend on the specific position and the individual's performance.

Variable remuneration

Variable remuneration (bonus) to the President and other senior executives shall be based on the financial goals of the group and shall be calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President shall be maximized at 240 percent of the annual salary and for the other senior executives the highest individual bonus amount shall be maximized at 80 percent of the annual salary.

In connection with Canon Inc.'s public offer, the then board of directors decided to introduce "stay on board" remuneration of 3 monthly salaries each to all then members of the management team provided that the employment of each member had not been terminated at June 30, 2015. This remuneration has been paid. In September, the board decided to introduce new "stay on board" remuneration to the then members of the management team. For the President, the amount of remuneration is 100 percent of the gross annual salary. For the other senior executives concerned, the remuneration varies up to 100 percent of the gross annual salary. Payment of the remuneration will occur in two parts on June 30, 2016 and on June 30, 2017.

Each payment is conditional on the senior executive on each payment date still being employed, has not had his/her employment terminated or has not resigned from his/her position. This remuneration is not pension-qualifying.

Pension

The retirement age for the President shall be 65. The pension insurance premium shall amount to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent shall be paid. The ITP agreement shall be applied for other senior executives, with a retirement age of 65.

Termination benefits

In the event of termination of employment, a six-month mutual notice period shall apply for the President. In the event of termination of the President's employment by the company, termination benefits corresponding to up to twelve cash monthly salaries may be paid after the end of the notice period. In the event of termination by the President, no termination benefits shall be payable. A mutual period of notice of three to six months shall apply between the company and the other senior executives. In the event of termination by the company, termination benefits corresponding to twelve cash monthly salaries can be paid. A decision was taken by the board of directors during spring 2015 to introduce termination benefits of 12 months for all members of the management team. In the event of termination by any of the senior executives, no termination benefits shall be payable.

Other benefits and other remuneration shall be received on the same basis as for other employees. Persons who are resident outside of Sweden may be offered notice periods and termination benefits that are competitive in the country where the persons are or have been resident or to which they have a substantial connection, preferably solutions equivalent to what applies for managerial employees resident in Sweden.

Deviations from the principles described above may be approved by the board of directors, if there are specific reasons in individual cases. Prior to the AGM 2015, two deviations were made from the principles adopted by the AGM 2014, whereby i) termination benefits offered to the members of the company management other than the President were adjusted to correspond to 12 monthly salaries, and ii) a "stay on board" remuneration corresponding to three monthly salaries, conditional on continued employment in the com-

pany on June 30, 2015, was introduced for the members of the management team. The adjustment of termination benefits was made in order to ensure market-related compensation to the management team. This was deemed particularly necessary due to the then outstanding public offer for the company made by Canon Inc. The "stay on board" remuneration was introduced for the same reason, whereby specific reasons existed for the deviations. The deviation concerning termination benefits complies with the principles subsequently adopted by the Annual General Meeting on 15 June, 2015.

The company does not operate any outstanding share-related or share-price related incentive programs.

The company's system for variable remuneration to senior executives

The President and CEO and the company management are covered by the same bonus program as other employees. The program is based on financial targets for the group and is based on sales growth and operating margin. For the 2015 fiscal year, the bonus amounts were maximized at 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives was 80 percent of an annual salary.

Resolutions regarding bonus programs are passed by board for one year at a time.

Audit

Axis' auditors are elected by the AGM. At the AGM on June 15, 2015, the provision in the company's articles of association about the auditor's term was changed and the option to elect a deputy auditor was removed. The articles of association prescribe that the election of auditor should now occur for one year.

At the AGM 2015, PricewaterhouseCoopers AB was re-elected as auditor with Ola Bjärehäll as auditor in charge for the period until the end of the next AGM. Bjärehäll was born in 1974 and has been an Authorized Public Accountant since 2004. PricewaterhouseCoopers AB has been Axis' auditor since 1996 and Ola Bjärehäll has been the auditor in charge since 2011. At the same AGM, shareholders representing approximately 10.3 percent of the shares in the company, proposed that a minority auditor should be appointed by the Swedish Companies Registration Office, to participate in the audit together with the company's auditor for the period until the next AGM. The proposal was supported by owners representing approximately 10.3 percent of the shares in the company. Shareholders have subsequently made an application to the Swedish Companies Registration Office that a minority auditor should be appointed and the Swedish Companies Registration Office has subsequently appointed a minority auditor in December 2015.

The company's report on internal control over financial reporting 2015

Introduction

The present report has been prepared in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance and is limited to internal control over financial reporting. Axis' process for internal control over financial reporting is structured in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), with the control environment as a base for other components and activities; risk assessment, control activities, information and communication as well as monitoring.

Control environment

The board of directors has overall responsibility for establishing and maintaining an effective system for risk assessment and internal control. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of the financial reporting has been delegated to the President and CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels in the group.

The basis of the control environment consists of a firmly-established corporate culture and a number of company-wide policies as well as the work of the internal control function.

A. Corporate culture

Axis has a strong and firmly-established corporate culture, which fundamentally encourages all employees to think creatively and innovatively, and to show respect for each other's diversity. Everyone is encouraged to question, take the initiative and take responsibility, and to strive at all times towards the common goals, guided by the core values – "Act as one", "Think big" and "Always open". The corporate culture is founded on confidence, trust and personal responsibility.

B. Various policies

Responsibility and authority are defined in the delegation plan adopted by the board, attestation instructions, handbooks, other policies and codes.

The group's most important policies relate to financial control, communications issues and business ethics. The basis for financial control and follow up consists of a company-wide finance and accounting policy. The aim of Axis' communications policy is to ensure that external and internal information disclosure is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, (IR), and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to provide a reliable and accurate view of Axis and its operations to financial market players. Axis operates a Code of Conduct. The purpose of the Code is to set out the approach, values and guidelines that Axis' employees shall apply in matters of business ethics and also the approach to human rights and freedoms. As part of the business ethics work, an anti-corruption policy has also been adopted and an internal channel has been established for questions about ethical business decisions or reporting of violations of the business ethics policy. This is handled by representatives from the management team and the group functions Legal and HR.

C. Internal control function

Axis' internal control function works on developing, improving and securing the internal control function in the group. This involves proactive efforts focused on the control environment as well as examining how the internal control works in practice. This work was intensified further during 2015.

Risk assessment

The Board carries out an overall risk inventory on a regular basis. This involves identifying, measuring and describing material risks related to the financial reporting and comparing them with established controls. Errors can arise in connection with bookkeeping or in the valuation of assets, liabilities, revenue and expenses. The risk assessment also includes risks of e.g. impropriety and favoritism to another party at the company's expense.

Read more about Axis' corporate governance

Read more about Axis' corporate governance on our website under About Axis/Investor relations/Corporate governance where the following information may be found:

- > Corporate Governance Reports
- > Articles of Association
- > Information from previous AGMs (convening notices, minutes, resolutions)
- > Information about the nomination committee
- > Information about principles for remuneration to senior executives
- > The board's evaluation of guidelines for remuneration of variable remuneration programs
- > Report on variable remuneration schemes

Read more about how sustainability issues are a natural part of Axis' operations

Axis' sustainability report is available on our website under About Axis/Sustainability, and on pages 30–31 in the annual report you can read more about how Axis works with the following questions;

- > business ethics
- > social responsibility
- > environmental considerations

Control activities

The risks identified are handled by developing the control environment's various policies, but also by documenting and following up the most important business processes. There are both general and more detailed control activities, aimed at ensuring efficiency in the group's processes as well as preventing, discovering and correcting faults and deviations in the financial reporting. The activities include manual controls, IT-dependent controls, automated controls and controls in the underlying IT environment, known as IT general controls. Appropriate control activities have also been designed for operations that are conducted by third parties on behalf of the company.

The company's financial performance is monitored continuously by the board through comprehensive monthly report packages, and through reports by the CFO at all board meetings. Compliance with the company's finance policy is followed up monthly in the report package. A high level of transparency in the report material and financial processes enables any deficiencies in internal control to be identified and rectified.

Information and communication

Important guidelines, handbooks and similar information relating to the financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are both formal and informal information channels to the company management and to the board for important information from the employees. The board meets regularly with representatives of the various central functions in the Axis Group when they attend board meetings as well as through individual meetings. The President and CEO and the CFO keep the board continuously informed of the group's financial position, performance and any areas of risk. There are guidelines for external communication, which ensure that the company meets demands for correct information.

Monitoring

Observance of internal policies, manuals and codes and of the appropriateness and functionality of the established control activities is continually

validated, through the financial reporting and control as well as through documented audits conducted by the internal control function. The annual risk assessment provides the basis for planning of follow-up activities. There is a special process for ensuring that reported deficiencies are remedied.

During 2015, the internal control function made seven visits to subsidiaries and to regional offices. The focus has been on ensuring that there is appropriate documentation for the processes that are critical for the financial reporting. Local process documentation has been compared to, and supplemented in relation to Axis' documented minimum requirements for each process. This work will continue during 2016. During 2016, Axis' internal control function will also start performing management testing, i.e. ensuring that key controls are performed in accordance with the prepared documentation. Companies that were not visited during the year participated in self-assessments.

The internal control function reports the result of the performed internal control activities in connection with the financial reporting to the CFO and to the board. The board of directors also approves the planning for the coming year based on the performed risk inventory and risk analysis.

The company's auditors attend at least two board meetings per year, at which the auditors give their assessment and observations on the business processes, accounts and reporting. The chairman of the board also maintains continuous contact with the auditors.

The controller organisation is evaluated on an ongoing basis by the Group Finance function and CFO with the aim of ensuring quality and efficiency. The CFO actively participates in the recruitment process of all qualified controllers.

Axis does not have a separate internal audit function. Based on a good control environment and external audits by auditors, the board has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

Board of Directors and Auditors



Biörn Riese

Chairman of the Board since 2015

Born: 1953

Board member since: 2015

Board member of: Swedish Anti-corruption Institute (IMM), My Special Day (Min Stora Dag), American Chamber of Commerce

Education: Master of Laws (LL.M) and a Graduate degree in Economics/Business Administration from Stockholm University, Sweden

Work experience: Mannheimer Swartling Advokatbyrå AB, Carl Swartling Advokatbyrå, District Court Service

Principal employment: Senior Adviser, Mannheimer Swartling business law firm

Shares in Axis: 0



Martin Gren

Born: 1962

Board member since: 1984

Chairman of: Aktiebolag Grenspezialisten

Board member of: Askero Sagoboks Förlag AB, Eikos Aktiebolag, Grenspezialisten Förvaltning AB, Handelsbolaget Dekad, H. Lundén Holding Aktiebolag, Tobii Technology AB

Education: Lund University

Work experience: Founder and employee of Axis

Principal employment: Employed by Axis Communications AB

Shares in Axis: 0



Bert Nordberg

Born: 1956

Board member since: 2015

Chairman of: Imagination Technologies Group Plc, Vestas Wind Systems A/S

Board member of: Aktiebolaget Electrolux, Svenska Cellulosa Aktiebolaget SCA

Education: Degree in Electrical Engineering from Malmö's Tekniska Läroverk, Sweden

Work experience: Chairman, President and CEO, Sony Mobile Communications AB (previous Sony Ericsson), the Ericsson Group, Data General Corporation, Digital Equipment Corporation

Principal employment: Various directorships

Shares in Axis: 0

Employee representatives:

Cristian Ionescu-Idbohn

Board member since: 2013

Employee representative for SACO (ordinary)

Shares in Axis: 250

Madhavi Kagganti

Member of the Board since: 2015

Employee representative for SACO

(alternate member)

Shares in Axis: 0

Haris Mustafic

Member of the Board since: 2015

Employee representative for IF Metall (ordinary)

Shares in Axis: 0

Marie Näslind

Member of the Board since: 2015

Employee representative for Unionen (ordinary)

Shares in Axis: 0

Mats Friberg

Member of the Board since: 2015

Employee representative for Unionen

(alternate member)

Shares in Axis: 0

Auditors:

PwC. Chief auditor: Ola Bjärehäll, born 1974. Authorized Public Accountant. Assigned to Axis since 2011.

Grant Thornton Sweden AB. Chief auditor: Stefan Hultstrand, born 1955. Authorized Public Accountant. Assigned to Axis since 2015. Minority auditor.

AUDITOR'S STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Axis AB (publ), corporate identity number 556241-1065.

The board of directors is responsible for the corporate governance report for 2015 on pages 66–72 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

We have read the corporate governance report and based on this review and on our knowledge of the company and the group, we believe we have a sufficient basis for our opinion. This statutory review has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden.

We consider that a corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated financial statements.

Stockholm, March 14, 2016
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant

Grant Thornton Sweden AB

Stefan Hultstrand
Authorized Public Accountant
Minority auditor

Management team



Ray Mauritsson

President and Chief Executive Officer

Born: 1962

Employed by Axis since: 1995

Education: Master of Science, Engineering physics Lund University and Executive MBA from the Institute of Economics, Lund University

Previous employment: TAC

Directorships: HMS

Shares in Axis: 0



Bodil Sonesson

Vice President, Global Sales

Born: 1968

Employed by Axis since: 1996

Education: Master of Business Administration, International Finance, Lund University and Konstanz University, Germany

Previous employment: Lars Weibull

Directorships: Swedish Chamber of Commerce, Tomra Systems ASA

Shares in Axis: 0



Fredrik Nilsson

General Manager, North America

Born: 1967

Employed by Axis since: 1996

Education: Master of Science, Electrical Engineering, Lund Institute of Technology, Economics studies at Lund University and Uppsala University

Previous employment: ABB 1991-1996

Directorships: Security Industry Association

Shares in Axis: 0



Per Ädelroth

Vice President, Operations

Born: 1966

Employed by Axis since: 1994

Education: Master of Science, Industrial Engineering and Management, Chalmers, Gothenburg

Previous employment: Accenture

Directorships: JLT Mobile Computers AB

Shares in Axis: 0



Fredrik Sjöstrand

Vice President, Finance and Chief Financial Officer

Born: 1969

Employed by Axis since: 1998

Education: Master of Business Administration, Lund University

Previous employment: E.ON, PwC

Shares in Axis: 0



Johan Paulsson

Chief Technology Officer

Born: 1963

Employed by Axis since: 2008

Education: Master of Science, Electrical Engineering, Lund University

Previous employment: Ericsson, Anoto

Directorships: poLight

Shares in Axis: 0



Malin Ruijsenaars

Chief Personnel Officer

Born: 1971

Employed by Axis since: 2004

Education: PA program, Lund University, Master of European Studies Brügge, Belgium, Postgraduate studies UC Berkeley, USA

Previous employment: Mercedes-Benz Customer Assistance Center, DaimlerChrysler Danmark Sverige

Shares in Axis: 0



Lars Åberg

Vice President, Marketing

Born: 1966

Employed by Axis since: 2008

Education: Master of Business Administration, Lund University. IFL Executive General Management Program, Stockholm School of Economics.

Previous employment: Unilever, Ericsson Mobile Communications, Bona Kemi

Shares in Axis: 0

Jonas Hansson

Chief Information Officer

Born: 1967

Employed by Axis since: 1997

Education: Master of Science, Chemical engineering, Lund University and Degree in Journalism, Lund University

Previous employment: Netch Technologies, Nationalencyklopedin

Directorships: Ortelius AB

Shares in Axis: 0



Peter Lindström*

Director New Business

Born: 1970

Employed by Axis since: 2003

Education: Technical Engineer, Lund University, degree in electro science, Executive MBA, EFL Lund University School of Economics and Management

Previous employment: Sony, BPE Broadcast Professional Europe, GoPoint, Gandalf Data

Shares in Axis: 0

*Appointed Feb 1, 2016

Glossary

ASIC (Application Specific Integrated Circuit)

ASIC is a circuit that is designed for a specific application rather than a circuit for more general functions, such as a microprocessor. The use of ASIC as a component in electronic products can enhance performance, reduce power consumption, improve security and lower the cost.

CCTV (Closed Circuit Television)

CCTV is a private video system within a building or facility which is used to visually supervise a location for security or industrial purposes.

HDTV (High Definition Television)

HDTV offers up to five times higher resolution and double linear resolution compared with traditional, analog TV and is usually transmitted in wide-screen (16:9). HDTV is built on the SMPTE 296 and SMPTE 274M standards which are defined by the Society of Motion Picture and Television Engineers, SMPTE.

Linux

Linux is an open source operating system within the Unix family. Due to its stability and accessibility, Linux has gained popularity both within the open source world and as regards commercial applications.

Network camera

Digital video camera with built-in Ethernet network connection and web server. The digitally compressed video from the camera can be seen immediately from all computers which are connected to a network.

Protocol

A set of formal rules describing how data shall be transmitted over a network. Low-level protocols define electrical and physical standards and high-level protocols are concerned with data formatting. TCP and IP are examples of high-level protocols.

Server

A computer or software application providing services to other computers which are connected to it via a network. The most common example is a file manager which has a local disk and which handles inquiries from clients regarding reading and writing files on the disk.

IP (Internet Protocol)

A communication transport protocol used in order to transmit data via Internet. Also see TCP/IP.

TCP/IP (Transmission Control Protocol over Internet Protocol)

The TCP/IP protocol defines how data is transmitted securely between networks. TCP/IP is the most widespread communication standard and the basis for how the Internet works.

Video encoder

A video encoder has an in-built network connection and web server, among other things. Its function is to take analog video (PAL/NTSC) from traditional analog cameras, digitalize and compress video and allow the digital video stream to be accessible over a network.

Invitation to the Annual General Meeting

The Annual General Meeting will be held at the company's premises at Emdalavägen 14, Lund, on Wednesday, April 13, 2016 at 5.00 p.m. The notification of participation must be received by Axis AB no later than 4.00 p.m. on Thursday, April 7, 2016. The notification should include the shareholder's name, Swedish civil registration or corporate registration number, address and phone number as well as the number of shares represented.

Shareholders who wish to participate in the annual general meeting must be listed as a shareholder in the print-out of the share register produced by Euroclear Sweden AB on Thursday, April 7, 2016. Shareholders whose shares are held through nominees, must get the nominee to register the shares in their own name, so that the shareholder concerned is registered in the share register on Thursday, April 7, 2016. Such registration may be temporary.

The notice is available on www.axis.com and is sent free of charge to shareholders on request to their specified postal address.

Notification and ordering the notice can occur

- > in writing to Axis AB (publ), Attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or
- > by phone +46 46 272 18 00 to Axis AB's headquarters.

The notification must also state the number of assistants (however, not more than two) the shareholder wishes to bring to the annual general meeting. If participation is through power of attorney, including – in the case that the grantor of a power of attorney is a legal entity – a certified certificate of incorporation or other document showing the competency of the authorised signatory, shall be submitted in good time prior to the annual general meeting. The original power of attorney must be presented. The power of attorney form is available from the company and on the company's website www.axis.com.

The final day for trading in the company's shares including right to dividend is April 13, 2016.

Financial information 2016

Interim report, January–March: Thursday, April 14
Annual General Meeting: Wednesday, April 13
Interim report, January–June: Tuesday, July 12
Interim report, January–September: Thursday, October 20

Reports may also be ordered from:
Axis AB
Emdalavägen 14
SE-223 69 Lund
Phone: +46 46 272 18 00
Fax: +46 46 13 61 30
E-mail: pressoffice@axis.com

Financial information is available in Swedish and English on Axis' website: www.axis.com



About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform – delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets.

Axis has more than 2,100 dedicated employees in more than 50 countries around the world, supported by a global network of over 80,000 partners. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS.

For more information about Axis, please visit our website www.axis.com.

Corporate identity number 556241-1065

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